Speech by the Rt. Hon. John McEwen, Australian Minister for Trade, at the plenary meeting on 22 October 1956

I am very pleased to be able again to see GATT at work, and to have the opportunity to place before you some thoughts on a few important aspects of the role of GATT.

The last time I took part in GATT discussions was at the Review Session. On that occasion I put Australia's point of view fully.

On some of the points then raised by Australia the upshot was reasonably satisfactory. On other points, in order to get widely based agreement we had to agree to much less than we sought. The efforts and labours of the Review Session were designed to produce and in the Australian view did produce a more generally acceptable version of GATT. Whilst the amended text is not by any means a perfect instrument I certainly regard it as superior to the earlier version, and as a point from which future progress might be made. I hope very much that the Governments which have not yet accepted the amendments will take the speediest possible action to do so. I am glad to learn of the strong support among members at this Session for prompt action.

At the Review Session we accommodated ourselves to various features in the new GATT because we were persuaded that by so doing we would enhance the prospects for the establishment of the Organization for Trade Cooperation. Australia considered that the existence of such a body would work towards a much greater effectiveness in the application of the principles and provisions of the General Agreement. To this end at the Review Session we made certain sacrifices not only of particular points but of principle, not the least of which was the United States waiver for its import restrictions. Yet now the future of Organization for Trade Cooperation has become a matter of rather pessimistic speculation. There is, I believe, widespread regret that the United States has not so far ratified the proposals for the Organization for Trade Cooperation.

There is no doubt in my mind that the United States Government has itself recognized in many ways that its position in the world economy calls for a vigorous positive and consistent international commercial policy. Yet, United States leadership is today open to doubt. Acceptance of the Organization for Trade Cooperation by the United States would restore the confidence of other countries that its trade policy practice as well as precepts is in keeping with the economic facts of international life today. The Australian Government has been authorized by Parliament to accept the Organization for Trade Cooperation as soon as both the United Kingdom and the United States have done so. Action by the United States will be followed, not only by Australia's acceptance, but also by acceptance by many other countries.
These delays in the acceptance of the revised text of the General Agreement and the establishment of the Organization for Trade Cooperation bear directly on the problems which Australia and other countries similarly placed encounter in such matters as export subsidies and surplus disposals.

Let me amplify this point. Australia is able and willing to meet competition in the world's wheat markets so long as that competition is based on comparative costs. The Australian Government is not prepared to engage in a subsidy race. Yet we find our traditional and natural wheat and flour markets exposed to inroads from the heavily subsidised exports of higher-cost producing countries. The amended subsidy provisions of GATT refer to avoiding the harmful effects on international trade of export subsidies. They refer to the concept of equitable market shares. But our present practical experience in export is clearly a long way from the spirit and the intent of those new subsidy clauses. We in Australia have always held the view that importers have some responsibilities in this regard, as well as exporters.

All this is directly related to the degree of severity of our import restrictions. At the very time when we have unsold wheat on our hands, produced, I repeat, under highly competitive conditions, every bushel of wheat or ton of flour that we fail to sell means a clear loss of foreign exchange and therefore either more severe or more protracted import restrictions.

This naturally prompts a reference to surplus disposals by the United States.

I cannot overstate the importance of this subject to Australia. At the Review Session I was prepared to say that our trade interests had not been materially damaged although our fear of damage from disposal programmes was a growing one. Now I must say that our interests are being increasingly threatened. I need not cite the growing number of particular cases - but the magnitude of these programmes in world trade is borne out in the figures cited in the GATT Report on International Trade in 1955. This report shows that on a rough estimate the value of shipments of surplus disposals increased from 340 million dollars in 1954 to about 1,000 million dollars in 1955. So large a trade must be a real danger to many legitimate exporters, yet public statements by Congressional and Administration leaders indicate no lessening in this tempo.

I acknowledge that a measure of care has been exercised by the United States Government in its disposal activities. On the other hand, we still look for substantial improvement in the procedures of consultation and for a more realistic and objective consideration of the normal trade interests of other suppliers. The practice developed by the United States in recent months of tying fixed levels of its commercial sales to its disposal transactions may look to be good business from its own point of view. From the point of view of other suppliers thus pre-empted from a commercial market, however, it is indistinguishable in harmful effects from many of the trade practices outlawed under GATT.
On the past record, it seems that the position of the American authorities would be met, and the anxieties of other supplying countries somewhat alleviated, if the commitment sought by the United States from the recipient country was confined to an undertaking to maintain a specified level of total commercial imports, without distinction as to source of supply.

In respect of wheat, Australia must retain the fullest scope for her normal competitive ability.

I also acknowledge the efforts of the United States authorities to deal with the root of the surplus problem in a constructive way. Here the soil bank programme is an encouraging feature, and all the countries concerned with the international repercussions of United States surpluses will look for some easement of the position from this measure. I hope also that the possibility of increased internal disposal of surplus foodstuffs has not been abandoned.

Australia and other countries continue to recognize the United States problems just as the United States should recognize our problems. I feel strongly that countries such as mine are entitled to have a clear understanding of the high policy of the United States Administration. If there is no definable policy, or if the policy is not clearly set forth so that it is plain to the Governments and publics of other countries, there can be no due weight of United States leadership.

In operating its surplus disposal programmes, the United States designs from time to time to give aid to other countries. But the actual surpluses, and the disposal problems to which they give rise, are the inescapable outcome of their domestic agricultural policies.

The obligation remains on the United States to cope with its national problem with a minimum of disruption internationally. This will be achieved both by taking more effective internal measures and by a continued improvement in consultative procedures and good faith consideration of the legitimate interests of normal commercial traders.

From what I have said it will be clear that in our view the GATT is still far from ensuring orderly or fair trade in primary products. In fact, it contains little that is directed towards the problems peculiar to international trade in foodstuffs and raw materials, and even the new Articles on subsidies and counter-measures against subsidies are still weak and yet to be tested.

The role of the General Agreement in commodity problems is again on the table at this Session. The Australian Delegation will cooperate in any practicable means of furthering the objective of stability in this field; but it is painfully clear that any tangible and worthwhile progress can be looked for only with the active interest and practical support of the great trading nations. If the international commodity agreement is the only device we can find to stabilize commodity trade then it is the negotiation and successful operation of actual agreements on individual commodities that is important.
The International Wheat Agreement and the International Sugar Agreement are examples of two great commodities in international trade with some history of successful international cooperation behind them. But the present situation of these two agreements is in itself a warning that unless there is a general recognition of how important and how necessary international commodity stability is, the idea of international commodity agreements will become an academic notion. The many developing nations vitally concerned with commodity stability are rightly disposed to press this question. I cannot believe that governments which genuinely hold to the objectives of GATT can long continue to ignore this whole problem or to treat it as secondary, or to dismiss it on narrow or short-run considerations only.

The Australian position on the role of GATT in this field is simply that it is an appropriate forum for the discussion of the broad policy issues in commodity trade. Australia is prepared to support any generally acceptable proposals which we judge are likely directly or indirectly to promote stability in commodity trade and which do not remove from governments the final decision whether or not proposals affecting a particular commodity are acceptable to them.

For it is in the circumstances of each commodity that the decisions must be taken on proposals for commodity agreements; but these decisions should not ignore wider policy considerations when an agreement is being negotiated or renewed. All concerned must look to the long-term stability of the trade in the particular product. There has been considerable disappointment that the United Kingdom felt unable to continue to participate in the International Wheat Agreement.

I turn now to Australia's current import restrictions. There are two factors. One is regrettable but normal instability in our export earnings due both to seasonal and market conditions. The other is too often not perceived. It is the rapid growth of the Australian economy - with a consequent pressure of demand upon imports. Out of this arises the fact that, despite our restrictions, the current level of imports both in volume and value terms is very high. We remain in fact both in aggregate and per capita one of the world's great markets for industrial exports.

The Australian Delegation is again consulting at this Session regarding these restrictions. Here let me say that the additional restrictions of July last were imposed only under the inexorable arithmetic of our balance of payments.

It is our intention to relax these restrictions progressively as our balance-of-payments position permits. Moreover, we are not passively awaiting an up-turn in export receipts to enable us to liberalize our imports. We have taken strong and positive measures to reduce the pressure of demand in the internal economy. These measures will help our export trade, but we have also taken other measures to promote export. The Government has
recently reviewed its balance-of-payments position and although some of the measures I have referred to are beginning to take effect it has not yet been possible to vary the current level of import restrictions.

As part of the overall policy designed to improve our external trade situation, the Australian Government would hope before long to be able to review the question of more active and more profitable trade negotiations with other countries.

Among the items on the Agenda for this Session is listed the proposal for closer economic integration in Europe. Movements of this importance in the trade field cannot realistically be dissociated from GATT discussions. Countries which are outside Europe but which nevertheless find in Europe markets for a large part of their produce as well as importing heavily from Europe are properly concerned with developments of this kind. Concepts and ideas need to be explained and views need to be exchanged if there is to be a helpful understanding on each side. There is a real and definite need for a two-way educative process which I am sure can be carried through, in the sensible and practical tradition of the contracting parties, to the benefit of all. Given a reasonable spirit, such a process will work a great deal of positive good. It will do much to avoid possibly substantial misunderstandings and recriminations at the later and most critical stages of discussions in GATT.

For the same sort of reason, Australia suggested that the Agenda include the item on OEEC liberalization. The purpose was that GATT should have information on trends or developments before it and that interested countries should have the opportunity to comment on principles or major issues of real concern to them.

In a similar way Australia welcomes the idea put forward by the American delegation for consultations with those contracting parties now applying import restrictions under the balance-of-payments articles. It is surely a matter of importance to GATT that there should be consultations of the accepted kind from time to time. On the assumption that suitable practical arrangements can be made, the Australian delegation is supporting this proposal.

I have indicated that we are disappointed that the amended GATT has not yet come into operation. We also deplore the fact that the Organization for Trade Cooperation has still to see the light of day. It is our hope that both will shortly be accomplished. Apart from that, however, GATT must be vitally concerned with the new issues and the new problems that constantly arise in a dynamic trading world.

Whether they arise in terms of geographical regions or sectors of trade or fundamental trade issues, GATT cannot stand aside from the great questions. Useful and abiding work can be done in the technical fields of tariffs and customs administration and practices and in other technical fields. But if we are to have rational and meaningful international cooperation in the trade
field and if GATT is to fulfil its purpose, ways must be found of linking larger movements and larger problems with the GATT forum. The objective surely is that the policies of nations in international trade be shaped in full awareness of the effects upon the trade interests of other countries and in conformity with the principles of a generally accepted standard of trade practices which in itself will best serve the interests of all countries. This is true whether trading countries are now in GATT or not. The re-growth of East-West trade will be accompanied by many problems in the exercise of GATT concepts. These problems require careful attention. The nature of State trading can present especial difficulties for those competing in world markets on a free enterprise basis. This must be one of the great questions to be faced by GATT.

It would be ingenuous not to expect difficulties and complexities in all this. But the agenda for this session clearly illustrates the need for continued effort on the part of all the countries which subscribe to GATT and particularly on the part of the great trading nations to work patiently towards commonsense solutions to the problems GATT was designed to meet. I know of and welcome the lively debate that has been going on among the heads of delegations. I assure you that that outcome will be carefully examined by the Australian Government.

Mr. Chairman, it has been good of you to arrange this opportunity for me to express some Australian views, and I wish you all well in your further work.