AUSTRALIAN INITIATIVES ON STIMULATING WORLD TRADE AND ECONOMIC RECOVERY

In an address given on 18 May 1982, the Australian Prime Minister, Mr. Fraser, proposed a number of initiatives designed to stimulate international trade and promote economic recovery.

In view of the relevance of these initiatives to the ongoing work of GATT, and, in particular, to the forthcoming Ministerial meeting, the Australian authorities have asked that the details of the proposals be circulated for the information of the Preparatory Committee.

BACKGROUND

There has been global recession for the greater part of two years and generally unsatisfactory economic performance over the past decade. There may be some hope for recovery as 1982 progresses but any recovery, however, is likely to be fragile.

In considering economic prospects and policy, attention has tended to focus on the interaction and effect of counter-cyclical policies designed to reduce inflation (primarily monetary policies with support from fiscal policies), and the attendant questions of interest rates, exchange rates, wages and unemployment.

The control of inflation is of fundamental significance to the restoration of growth, through reducing uncertainty, lowering real interest rates and restoring business and consumer confidence.

Not all the available weapons are, however, being used to accelerate the defeat of inflation and the resumption of growth. Indeed some policies are being pursued that have the opposite effect.
In particular, protectionist measures, and especially non-tariff measures (NTMs) are now more prevalent. International restraints on trade - that is protectionism in its broadest sense, i.e. protection against imports and government assistance to industry to support prices of goods and services or in support of the production, export, finance, or distribution of goods and services - make it more difficult to defeat inflation. Barriers to trade distort patterns of comparative advantage and are a strong impediment to efficient and sustainable growth.

THE CASE FOR THE INITIATIVES

The Australian Government believes that there is no alternative to the continued battle against inflation. However, the armoury in this struggle would be most usefully supplemented by the initiatives outlined below. Their implementation would assist in the expansion of world trade and output. Without such a new impetus any economic recovery is likely to be disappointing.

The proposals focus on the removal of impediments to freer international trade. Their implementation would ease tensions in the global economy that flow from each country attempting to achieve economic gain at the expense of others. Above all, the proposals are pragmatic, calling for standstill on both protection from imports and subsidies on exports, with reduction to follow in due course.

In existing circumstances, efficient exporters are precluded from access and therefore forced to bear the cost of others' unwillingness to adjust.

For the proposals to be even more effective, it would be essential to gain the support of developing countries, who provide the major outlets for export growth in industrial products and who were treated inequitably in the Multilateral Trade Negotiations (MTN).
THE PROPOSALS

Australia proposes that, in the interests of stimulating world economic activity while contributing to diminishing inflationary pressures, the participants in the Versailles Economic Summit in June should call for international agreement:

(I) on a standstill on increases in protection and on the introduction of new protectionist measures, particularly in non-tariff forms,

(II) on a commitment to significant and progressively implemented reductions in all forms of protection, in accordance with a set formula to be determined through the mechanisms of the GATT,

(III) that there be no new or increased export incentives and subsidies, and that there be an international commitment to the abolition of existing export incentives and subsidies over a period of five years.