The following proposals have been received from the delegation of Australia.

The Australian Government has proposed an initiative on protectionism. The initiative has the following components:

(i) a standstill on all assistance to industry which has a trade distorting effect;

(ii) following the standstill a gradual "windback" in this assistance.

It is recognised that the second stage of the proposal will present considerably more difficulties than the first. However, provided the standstill is entered into the right preconditions and is effective should generate momentum in the direction of further trade liberalization.

Both the standstill and the "windback" should apply not only to protection which adds to the costs of imports at the frontiers or which limits the quantity of imports allowed to enter countries but also to other forms of assistance having a trade distorting effect (including budgetary assistance applied through subsidies, bounties, export incentives, tax incentives and government procurement).

A. THE STANDSTILL

It is proposed that the standstill apply to those measures taken by governments which have as their objective or effect the restriction of imports, the improvement of the competitiveness of domestic products vis-à-vis imports and the improvement of the competitiveness of exports. The provisions of any standstill do not of course preclude moves by individual countries to reduce levels of protection and assistance.

The standstill should apply equally to all sectors: agriculture, mining, manufacturers and services. In this context it should be noted that new mechanisms may have to be developed in order that services be addressed fully in the GATT framework.
The standstill shall take effect on ......... for a period of

The implementation of the standstill

The following is an indication of how it could operate in some key areas.

Tariffs

Increases in tariff rates would be prohibited over the period of the "standstill".

Quantitative restrictions and import licensing

There would be a prohibition on the extension of QRs to new products. In addition, there would be a prohibition on the reduction of quotas or volume of goods licensed for import below a calculated level, based for example on past performance.

Import embargoes

There would be a prohibition on the extension of embargoes to new products with the exception of embargoes imposed for purposes permitted by the General Agreement.

Voluntary export restraints

There would be a general prohibition on expansion of existing arrangements and on new bilateral arrangements which have the effect of distorting trade flows.

Other non-tariff measures

In this case the approach would be to prohibit changes in existing rules, policies or practices which have the effect of increasing assistance.

Other forms of assistance

In the case of direct budgetary assistance there would be a moratorium on increases in direct budgetary assistance to be made available to industry. In addition there would be a standstill on subsidies financed by the consumers through the transfer mechanism and a prohibition on new subsidies financed in this way.
Variable levies

Variable levies constitute a special case. It would be inequitable to allow countries which impose variable levies to continue this practice unimpeded while other countries are subject to disciplines of the standstill. One approach would be to agree that the levies would continue to be used in the course of the standstill on the condition however that there would have to be an increase in access on the cessation of standstill.

Safeguards

Consistent with GATT rules, in the course of the standstill and reduction the following courses of action will remain available:

- countervailing action
- Article XIX action
- anti-dumping action

Safeguard action not expressly provided for under the GATT will not be permissible.

Subsidies

In addition to the above, the provisions of the GATT and the subsidies and countervailing code would apply as appropriate to subsidized exports. It is envisaged that the proposals would preclude any contracting party increasing its share of agricultural trade by virtue of its use of subsidies in the course of either the standstill or the reduction.

Consideration would be given to suspending actions ensuing out of Article XVI or the Code while the commitment to standstill and reduction was being adhered to.

Surveillance

For standstill to be effective (in contrast to, say, the OECD trade pledge) there will have to be an effective monitoring device. The arrangement would have to provide for a mechanism to review the world trade situation and the domestic pressures arising from implementation and for immediate action to forestall widespread, persistent departures from the standstill likely to have a significant trade distorting effect.

One form for undertaking such a review would be a "Council of Wise Men" meeting within the precincts of the GATT on an informal basis. Such a group would, of course, discuss matters arising from the standstill only and not matters related to the GATT or trade liberalization generally.
In a supportive way, it would also be useful if the OECD Trade Committee were to resume its country trade reviews. These could be informal reviews, not based on secretariat documentation, where member countries could raise trade problems caused by other members' policies. Within this context problems arising from standstill could also be discussed.

Participants should not undermine the proposals through the use of exchange rates.

B. THE REDUCTION IN ASSISTANCE

As indicated in the introduction, the second phase of the initiative involves a reduction in assistance. The ways and means by which this could be achieved should be negotiated during the currency of the standstill. That means that there must be an in-principle commitment to such a reduction at the time the standstill comes into place.

There are traditionally two methods of negotiating a reduction in protection:

- negotiation based on reciprocal concessions
- reductions based on a pre-agreed formula.

Because the proposal outlined above aims not only at a reduction in protection but a reduction in assistance it would be extremely difficult to conduct a negotiation on a reciprocal basis. It would be impossible to arrive at any direct measure of comparability of reductions among a large group of countries each seeking reciprocal concessions. A practical alternative therefore would be to agree on a simple and generally applicable formula aimed at reducing overall assistance by a set percentage within a set period.

C. IMPROVEMENT IN THE GATT

In addition to negotiating the basis of reduction during the standstill it is also important that certain key areas of the GATT be strengthened so as to reinforce the reduction process which should take place within the ambit of the GATT rules. In this context critical areas appear to be:

(i) the development of an agreement to bring all non-tariff measures and other safeguard actions under an effective safeguard system so as to ensure that safeguard action not expressly provided for under the GATT does not undermine the proposals;

(ii) the negotiation of appropriate comprehensive disciplines to apply to all trade distorting subsidies including indirect subsidies.