The Australian Deputy Prime Minister and Minister for Trade (the Rt. Hon. John McEwen) has asked me to express his deep regret that pressing parliamentary duties prevent him from being here in Tokyo at this time. Mr. McEwen wishes to apologize to our Japanese hosts that he has been unable to accept the generous hospitality they have offered to Ministers attending this session of the CONTRACTING PARTIES. I have been asked to represent Mr. McEwen and the Australian Government on this occasion. On behalf of the Australian delegation I gratefully appreciate the warm hospitality extended to all of us. We have also been much helped by the efficient arrangements for the conduct of this Conference.

My statement is an attempt to convey my Government's views on some of the matters now before GATT. More precisely I propose to comment on seven important issues.

Article XXXV

It is right that I should begin by referring to Australia's trading relations with Japan since we are one of the countries invoking Article XXXV. Since the signing of our Trade Treaty in 1957 there is no doubt that a solid relationship has developed, with resulting expansion in trade for both countries. Under the Treaty Australia removed discrimination and extends m.f.n. tariff and licensing treatment to Japan and in return Japan has moved towards a practical interpretation of m.f.n. treatment to Australia. I say "practical" because Japan is a case where State trading methods and its system of allocating foreign exchange have required a rather concrete spelling out of market opportunities in non-tariff terms. In addition Japan has managed to develop larger markets without serious damage to sensitive Australian industries. This she has done through voluntary restraint on her own initiative on the rate of growth of exports. For example, despite this restraint Australia is now ahead of the United States and all other markets except Hong Kong as a buyer of cotton fabrics from Japan. In fact on a value basis Australia, as a high quality market, substantially exceeds Hong Kong.

The Trade Treaty is an important experiment as will be understood by all with a knowledge of our past relations with Japan. If I may refer to Mr. Dillon's remarks about trade with Japan, the Treaty is also an important experiment in dealing with "the adverse effects of an abrupt invasion of established markets while continuing to provide steadily enlarged opportunities for trade".
Finally, the Treaty provides that Australia will enter into discussions with a view to exploring the possibility and examining the basis of applying GATT between the two countries. This commitment, as our Japanese colleagues know, will be met. In the meantime it is fair to say that both countries are being guided, in their trading relations, by the fundamental concept of GATT, namely effective reciprocal m.f.n. treatment.

Trends in Trade

As others have remarked, we are once again experiencing an up-swing in world economic activity. It is a matter for gratification that in the post-war period countries have been able to pursue, and have pursued, domestic policies which have resulted in a continued growth of the world economy. Australia stands to gain a great deal from a high level of economic activity in the industrialized countries. This is certainly true of wool exports which reflect quite sharply the ups and downs in activity. It is not true of other agricultural exports. However, it would be a dangerous misconception to infer that the major problems of world trade for the primary exporting and less-developed countries necessarily disappear when we have an expansionary situation in Europe and North America. For a high level of economic activity is by no means the sole prerequisite for a world-wide expansion of trade. Economic activity in the industrial countries is a necessary condition for healthy international trade but it is not a sufficient condition. The trade of less industrialized countries does not always obtain commensurate benefits from high levels of economic activity in other areas of the world. The demand for their products, particularly foodstuffs which are all too frequently subject to highly protective Government assistance in industrialized areas often show relatively insignificant response to improved economic conditions.

Indeed, we now have ample evidence that the growth in the trade of the highly industrialized countries is outstripping the growth in trade of the non-industrialized areas.

The imbalance in the relative rates of growth of trade of industrialized and non-industrialized areas was given prominence in the Haberler Report. The GATT publication "International Trade 1957/58" points out that this trend has generally continued since the Haberler Report was completed. This trend is sharply accentuated in periods of economic recession in the highly developed countries as was illustrated by sharp falls in the prices of many primary commodities in 1957/58. The response of these prices to improved economic conditions has been uneven. It is highly significant that the prices and demands which have recovered least are those for products which are excessively protected in the industrialized countries.

This situation is not solely attributable to "natural causes"; it is due in significant measure, as the Haberler Report noted, to measures of protection adopted by many countries and which are contrary to the basic philosophy of GATT. There is an imbalance in trading conditions between the highly industrialized countries on the one hand and those heavily dependent on exports of primary products and minerals on the other. A great deal of the onus for rectifying the imbalance does rest with industrialized countries who will need to modify the more exaggerated policies of protection particularly those of a non-tariff kind. It has been encouraging in listening to Ministers at this session to find such widespread recognition of the reality of the problem and the need to work actively towards solutions.
Indeed, the Australian Government believes that ultimately success in GATT will not be measured by further reductions in tariffs but rather by its ability to modify the powerful non-tariff barriers to world trade and, no less important, by its ability to eliminate discriminations in trade. Non-tariff barriers to trade and discriminations together go far to destroy any real meaning in most-favoured-nation tariff treatment as extended originally in 1947 tariff negotiations to the agricultural exporters of the world.

**Discrimination**

It has for some time been the Australian Government’s view that the time was approaching when, due to the improved balance-of-payments position of a number of countries and the measures taken on external convertibility, a comprehensive attack could be made on the elimination of discrimination in import restrictions.

Mr. Dillon has referred forcibly to these matters. It is good that after so long a transitional period the United States and other countries of the dollar area should be able to look forward to a situation in which their goods have equal opportunity in other markets. However, if discrimination is thought of only in terms of currency discrimination it is dangerously misleading. It was pleasing to note that Mr. Dillon’s statement was most emphatically in agreement with this view.

It would perhaps be unwise to hazard an opinion as to whether discrimination against dollar goods was any longer the main form of discrimination. Nevertheless, I would point out to contracting parties that if it is desired to put an end to discrimination, then discrimination on currency grounds must be regarded as only part of the problem. Exporters of primary products can all too readily give instances of other discrimination, as can Asian producers of certain manufactured goods.

The decision of the International Monetary Fund on discrimination marks a significant step forward for world trade. It is certainly significant for dollar countries. But it is much more. The IMF decision means just what it says: discrimination by countries trading in convertible currencies can no longer be justified on balance-of-payments grounds.

In the light of this decision then, I repeat the time is ripe for a further comprehensive attack on all forms of discrimination. Many of these have come into being largely in the period of undoubted balance-of-payments difficulties. Much discrimination is covered in bilateral agreements which deny proper access to third countries. These too have developed in the same period. There is no doubt that balance-of-payments and consequent consultations in GATT have been a very useful means of enabling contracting parties to identify these problems. The German case illustrates the situation quite well.

At the fourteenth session the Federal Republic was granted a waiver of obligations which will enable that country, subject to certain conditions spelled out in the waiver, to maintain the restrictions for three years.
A condition of the waiver was that Germany should consult with interested countries about the allocation of quotas on the products remaining subject to restriction.

Australia, in accordance with the provisions of the waiver, recently concluded discussions with Germany on the treatment of Australian exports. It finally became clear in the talks that it was impracticable for Germany to offer completely non-discriminatory treatment for certain Australian products. This was because of the existence of prior bilateral agreements between Germany and some other countries under which portion of the German market had already been pre-empted. The Australian Government, nevertheless, Mr. Chairman, wishes to record its satisfaction with the measure of progress made in these discussions, modest though it may be, and with the good faith shown by the German Government in its efforts to reduce discrimination against our trade.

Programme for Expanding Trade: The Work of the Three Committees

Most of us, faced with restraints which hamper the development of our trade, are impatient for quick results. These we are not likely to get often or in large doses. For my Government the Review Session accomplished modest but quite significant improvements which have already yielded measurable results in our trading relations with some members.

Another step forward was the report of the Haberler Committee and the three committees since established to provide the basis for moving forward in our trading relations and, more especially, to promote an expansion in trade. These Committees are crucial to GATT. As I have said, we cannot expect dramatically quick results; but solid results we must look for if the imbalance outlined in the Haberler report is to be rectified.

The Chairman of the CONTRACTING PARTIES has spoken at some length about the origin and purpose of the three Committees. My remarks will be confined to the policy issues of importance to the Australian Government (and, we believe, others too) which are already quite sharply apparent in the reports emerging from the Committee.

Committee I

As I stated at the fourteenth session, the value of a further round of tariff negotiations to Australia is dependent upon a recognition that non-tariff obstacles to trade are amongst the major impediments to our exports. We consider that countries maintaining these non-tariff devices should be prepared to consider requests for reduction in these forms of protection. We have indicated our willingness to negotiate reductions in some cases.

The extent to which these conditions are met will determine whether, for Australia at least, the 1960 negotiations provide any opportunity to reduce barriers to trade. Obviously it is quite meaningless to negotiate and pay for a tariff concession on a primary product only to find that other forms
of protection will effectively prevent any increase in the exports of that particular commodity. Indeed, all too many tariff concessions negotiated by Australia in 1947 have been vitiated by non-tariff devices: an experience we have no wish to repeat.

The Australian Government has been quite discouraged by the reception which our proposals have received from Committee I. It is thought that countries have been far too cautious in their approach to the negotiability of non-tariff barriers. We see in this caution possibly an inability, I hope not a reluctance, to realize the importance of this issue for countries like Australia. If concessions are to be confined to the tariff field then the 1960 negotiations will, in our view, fall far short of what is desirable. Far from rectifying, the negotiations may even aggravate the present disquiet on the imbalance of world trade, rightly noted by the Haberler Committee.

For the Australian Government I must say that unless a more understanding attitude can be developed it is all too probable that Australia's participation in the 1960 negotiations could well be quite ineffective and a minor one at best.

Committee II

The Haberler Report drew particular attention to the growth of agricultural protectionism and its adverse effect upon world trade. It is not only in directly limiting the markets for low-cost non-subsidized producers that unreasonable protectionism hurts. The hurt extends to third markets as export subsidies are used to dispose of the "spill over" of excessive production generated by high price supports.

The Australian Government looks to Committee II for progress under this head. The agreed procedures under which the very frank consultations are being held will provide the basis for coming to grips with the real issues involved.

We see merit in these procedures despite their undoubted slowness. We cannot expect rapid developments or changes overnight. However, we are convinced that if no progress can be reported later on, then the Australian Government would have to question seriously whether GATT any longer held the prospect of realizing its basic objectives for countries, like Australia, dependent on agricultural and mineral exports. I say minerals, too, for minerals are not to be overlooked in this context.

Australia is not unnaturally anxious that the CONTRACTING PARTIES as a whole should have an opportunity of reviewing the work of Committee II as soon as practicable. Accordingly we will support the idea that an additional meeting of the Committee should be held in sufficient time prior to the May 1960 session to prepare an interim report for discussion at that session.
Two particular aspects of agricultural protectionism which cause the Australian Government serious concern are the widespread use of bilateral agreements on agricultural products and the use of quantitative restrictions to protect agriculture. I have already commented that balance-of-payments consultations have contributed to our education. Australia had expected that as countries emerged from balance-of-payments difficulties they would, in accordance with the terms of the GATT and agreed procedures, remove their import restrictions. In important cases, however, restrictions on agricultural products are being retained and the retention of these restrictions is, as I have already made clear, aggravated by the existence of discriminatory action arising out of bilateral agreements.

We would like to think that out of Committee II will emerge good faith efforts to improve access to markets and to lessen the type of import discrimination associated almost as a corollary, with excessive agricultural protectionism.

Committee III

The work of Committee III is mainly concerned with those countries which are in urgent, almost desperate need for economic development. Their ability to export is a major factor in this. Almost all have the problems facing agricultural exporters and many, as their report shows, are faced with exclusion of their manufacturers. Most, too, have low tariffs and cannot readily negotiate market entry in the ordinary way associated with GATT.

The need is too great to be ignored by GATT and governments must consider the plea already advanced by Committee III. Yet the Chairman of the CONTRACTING PARTIES was undoubtedly right in suggesting more specific lines of enquiry and consultation on behalf of this Committee.

Certainly it is the view of the Australian Government that there is probably no escape from detailed case work. We need to list clearly the practices which are hampering the export efforts of the less-developed countries. We need then patiently to probe and discuss - "confront" if you will - in the hope of securing practical modifications to trade barriers of greatest concern to the less-developed members of GATT. The plea for patience here is even less palatable than in other areas of GATT's work - for the need is so great. Yet we see no alternative and stand ready to support detailed exercises designed to advance the work of Committee III in quite concrete terms. Mr. Dillon has made a suggestion for a panel of experts to study part of this general problem, namely the question of exports of manufactures from countries with relatively low wages. We would be ready to support this. But whatever the method or methods chosen for dealing with this and the many other problems raised by Committee III, the need is for concrete and urgent examination of specific cases leading to their adequate resolution.

Economic Integration

No general policy statement in GATT on behalf of a Member Government can ignore the movement towards economic integration in Europe. The Australian Government, along with others, has repeatedly welcomed the prospects
of effective economic integration as a major step towards political, social and economic stability in Western Europe. We have, nevertheless, felt it right to draw attention to some trade problems emerging, especially on the agricultural side. These questions are very much before GATT and our concerns are so well known that they perhaps call for no repetition. Yet events prior to this session had not lessened those concerns of which I mention only three.

In the first place we have expressed fear that market opportunities would be lessened, not enlarged, to the extent that agricultural policies possibly became more, not less, protective under the Rome Treaty and under whatever finally governs the economic relations of the Seven. It is fair to the Community to say that their plans for agriculture have not yet emerged. Yet the Report of the Agricultural Committee of the European Parliamentary Assembly is not very encouraging reading to non-members. For this and other reasons contracting parties will welcome the forthright and co-operative statement made at this session by the Italian delegate on behalf of the Six.

Secondly, the Australian Government is not happy that there should be two blocs: it will be better for world trade to see one Free Trade Area in some form or another consistently with Article XXIV of GATT. We await with interest the formal report to GATT of the proposals of the Seven, and have noted with interest the statement by the Swedish delegate. In the not too long run it is to be hoped that the groupings can be reduced from two to one and that the possible conflict with GATT provisions can be reduced to manageable proportions.

And this is my third point, Mr. Chairman. If GATT is not able to reconcile regionalism in Europe with its broad concept of non-discriminatory multilateral trading, then GATT as a system of fair trade rules may become of secondary instead of primary importance in leading and shaping the trading policies of the world.

For all these three reasons the debate on European economic integration is of high importance, requiring all the accumulated and well tested wisdom of GATT in the years immediately ahead of us.

I have referred to the Italian delegate’s remarks. We again welcome the tenor of them, not least his references to a willingness by the Six to examine systematically and fruitfully the problems of less-developed countries and the stabilization of commodity trade. To him and to the South African delegate I can offer the assurance of the Australian Government’s ready willingness to examine commodity stabilization proposals. We believe this approach to be important in the interests of predictability of trade for agricultural exporters.

Conclusion

There is much else that could be said - such as a good word for the report of ICCICA on commodity policies. We hope this will be properly debated. We agree also with the French delegate that GATT must come to grips with socialist-controlled economies.
Yet I believe I have said perhaps more than enough to indicate that the Australian Government continues to attach great importance to its membership of GATT. The CONTRACTING PARTIES can report progress on several matters. If the problems ahead threaten that progress—and even to swamp it—it is the more reason to be sure that GATT can continue its work of patient examination, consultation, negotiation if necessary and final resolution. We believe in these methods, which indeed are the essence of GATT. To this end, my Government will sympathetically examine any proposals the Executive Secretary has in mind for strengthening the ability of the GATT machine to do its tasks.

May I conclude by repeating what these tasks are, as seen by the Australian Government? They are to expand world trade for the benefit of all, and to ensure that this expansion rests upon fair trading rules and the elimination of discrimination in a way which recognizes the needs of industrial and non-industrialized countries alike. There is no doubt that, if in 1860, Britain and France invented the m.f.n. concept, they invented the key to GATT's effective existence today. Reciprocal m.f.n. treatment in both tariffs and legitimate non-tariff measures is the basis of Australia's trading policies and GATT will be at its best when it achieves a proper balance of rights and obligations for all its members.