

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

W.10/6/Add.1

16 November 1955

Special Distribution

CONTRACTING PARTIES  
Tenth Session

Original: English

## CONSULTATIONS UNDER ARTICLE XIV:1(g)

### Consultation with the International Monetary Fund

#### Addendum

It was noted in paragraph 2 of W.10/6 that the International Monetary Fund had concluded its 1955 consultations with Australia, and that the results of that consultation were being communicated to the CONTRACTING PARTIES. The following communication of 9 November 1955 containing those results has been received from the Fund.

"I have the honor to inform you, as relevant for the CONTRACTING PARTIES in connection with their consultations with Australia under Article XIV:1(g) of the GATT, that the Government of Australia has consulted with the Fund under Article XIV, Section 4, of the Fund Agreement concerning the further retention of the transitional arrangements by Australia. The results of this 1955 consultation were as follows:

"1. The Government of Australia has consulted the Fund under Article XIV, Section 4 of the Fund Agreement concerning the further retention of its transitional arrangements.

"2. Although production continued to expand in 1954/55, signs of pressure on resources became evident as immigration increased and investment and consumption were both at higher levels. Wages and salaries rose and the increase in bank advances offset the contractionary effect of the external deficit on the money supply. The budget for 1954/55 showed a current surplus which, together with long-term public borrowing, was sufficient to finance government investment. Prices were stable during the first half of 1954/55 but showed an upward tendency in the second half.

"3. The external position deteriorated in 1954/55 owing to a large increase in imports and to a fall in export receipts resulting mainly from a decline in wool prices. Wool prices in the opening months of the 1955/56 selling season declined further. Although there was a relatively large net inflow of capital, international reserves declined considerably in 1954/55, and continued to decline in the early months

of 1955/56. With a view to arresting the decline in reserves, the Australian authorities intensified their import restrictions on April 1 and October 1, 1955. The intensification of April 1 applied only to imports from the non-dollar area and the intensification of October 1 applied in varying degrees both to dollar and non-dollar imports. Steps were also taken on October 1, 1955 to introduce a non-discriminatory system of import licensing for specified commodities.

"4. The Australian authorities have indicated that the deterioration in Australia's external position is largely due to the pressures of domestic demand and have emphasized the need to take measures to reduce this demand. The budget for 1955/56 provides for a current surplus and the program for capital work is less than in 1954/55. Measures have been taken to restrain bank lending activities and to curb instalment credit.

"5. The Fund believes that the intensifications of restrictions by Australia in April and October 1955 were warranted in the light of its balance of payments and reserve position, and in this connection welcomes the steps taken to reduce the incidence of discrimination against the dollar area and expresses the hope that further progress will be made in this direction. Australia is eager to encourage immigration and to develop rapidly its economy. Large variations in exports proceeds, especially from wool, add to its difficulties in maintaining external equilibrium. Under these conditions special efforts are needed to relate demand to available resources, and thus to reduce the need for recurrent intensification of restrictions. The Fund, therefore, welcomes the measures being taken to achieve this end. The Fund considers that Australian domestic policies should aim at creating conditions which will make possible the reduction and eventual elimination of restrictions and the avoidance of renewed inflationary pressures. This would facilitate the balanced development of productive resources at a high and stable level of employment and real income.

"6. In concluding the 1955 consultations the Fund has no other comments to make on the transitional arrangements maintained by Australia."