GENERAL AGREEMENT ON TARIFFS AND TRADE

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CONSULTATION WITH AUSTRALIA UNDER ARTICLE XII:4(b)

Supplementary Statement by the Australian Representative at the meeting on 25 June 1955

1. The nature of the intensification of Australia's import restrictions has been described in documents L/350 and L/350/Add.1 circulated on 24 March and 13 April 1955 respectively. A general statement of the Australian position has now been circulated in IC/W/33 of 24 June 1955.

2. In 1951-52 imports into Australia rose to £1,050 million and reserves fell from £804 million in June 1951 to £373 million in June 1952 - a fall of some £430 million.

3. Drastic import restrictions had to be imposed and these, together with budgetary and other measures, reduced imports in 1952-53 to little more than £500 million.

4. The economy was effectively stabilized and, as international reserves improved, the Government progressively relaxed import restrictions. In March 1952, when comprehensive restrictions were first imposed, quotas for less essential commodities were fixed at 20 per cent of the value of similar imports in 1950-51. By April 1954, quotas for those commodities had been increased to 60 per cent of 1950-51 imports. In 1952 quotas for the more essential commodities were fixed at 60 per cent of 1950-51 imports; by April 1954 most of these commodities were being licensed freely without quota restriction.

5. Between April and October 1954, however, there was a very great increase in the value of licences issued for goods not subject to quota restrictions. In October 1954 the Government took precautionary action to bring back under control many of the commodities that had previously been freed from quota restrictions; but the quotas fixed still provided for rather more imports than in the previous licensing year.

6. By March 1955, it was evident that Australia would have a large trade deficit in 1954-55. It seemed that while exports would be valued at about £750 million, imports would rise to about £800 million, f.o.b. Net invisibles might cost between £100 and £150 million, which would mean a current account deficit of between £150 and £200 million.

7. The increased restrictions approved by the Government were designed to cut imports by roughly £100 million a year. Because of the average lag of some six months or so between the issue of licences and the arrival of goods in Australia, the restrictions could not much affect the rate of inflow of imports until some time near the end of 1955.

8. In the event, imports have been greater than was thought likely when the intensified restrictions were imposed. For 1954-55 they will probably be £840 to £850 million - and not £800 million which was the estimate accepted in March last. As a matter of fact, for the three months March to May 1955, imports have arrived at a rate of £924 million a year. The current account deficit is likely to be over £200 million and reserves are likely to fall by £140 to £150 million over the twelve months ending 30 June 1955 - that is from £570 million to about £420 or £430 million.

9. This would probably not be considered a dangerous level for the reserves, but it will be obvious the Government could not let them go on falling at the rate of about £150 million a year or they soon would be down to dangerous levels. Even with the intensified restrictions, imports in 1955-56 could be as high as £750 million, f.o.b., and exports are not likely on present indications to be more than £750 million. In these circumstances, the current account deficit for 1955-56 could exceed £100 million and reserves could fall by perhaps a further £50 to £100 million. There are so many unpredictable factors in estimating in this field, that no precision whatsoever can be attached to any of these figures; but they point the possibilities.

10. What the Government has done is not the be-all and end-all of the matter. It has taken holding action. In announcing the restrictions, the Acting Prime Minister said that the Government remained firm in its intention to reduce and finally to eliminate all import restrictions as soon as that could safely be done, and that its internal policies would be designed to assist towards that end.

11. The Acting Prime Minister also reiterated the point made on previous occasions that the restrictions were intended to protect the balance of payments and were not to be regarded as a substitute for, or adjunct to, protective tariffs. This is a firm point of Australian policy. We do not use quota restrictions for protective purposes and manufacturers are warned that they cannot rely on the continuation of any incidental protection temporarily afforded by restrictions imposed solely for balance of payments reasons.

12. I do not, in this statement, propose to go into the causes of the changes in Australia's balance-of-payments situation; that is covered in the paper circulated as IC/W/33 and will no doubt be the subject of discussion in the Working Party. In concluding, however, I should like to put some stress on the point that the Australian Government does not regard the intensification of import restrictions as a means it has been able to choose in preference to alternative measures. Rather, the restrictions are intended to slow down the drain on international reserves while measures are designed and made effective in other related fields of economic activity. In saying this I would remind delegates that Australia is a Federation; particularly in matters of internal economic policy, decisions may not rest wholly with the Federal Government, but may require acceptance by six State Governments as well.