Mr. Chairman,

I wish to say a few words in amplification of the supplementary statement already submitted by Australia and circulated as CP.5/A/2. The recommendation of the Conference of British Commonwealth Finance Ministers held in July 1949 was formally approved by the Australian Government on 20th August, 1949. This was not simply an agreement by sterling Commonwealth countries to reduce their expenditure on dollar imports to 75 per cent. of the 1946 value. In effect, these countries agreed to reduce their individual claims on the central gold and dollar resources of the sterling area in payment for dollar imports during the forthcoming twelve months to a level not exceeding 75 per cent. of the value of their expenditure on imports in 1948. This meant, in effect, that it was open to Commonwealth sterling area countries to maintain their expenditure on dollar imports at a rate higher than 75 per cent. of the 1948 level to the extent to which they were able to obtain dollar finance from alternative sources.

As a first step towards implementing the recommendations relating to dollar import expenditures, the previously approved dollar import licensing budget, which covered all dollar goods other than petroleum products, was carefully reviewed and cut to the lowest figure practicable without repudiating commitments already entered into and without reducing the rate of issue of dollar import licences so steeply as to cause disruption of Australian industries. Australia had already issued some dollar import licences for the period up to June 1950. It was decided that these commitments should be honoured.

In announcing these decisions in his Budget speech of 7th September, 1949, the Australian Treasurer said that although the full cut in dollar import expenditure could not be achieved immediately, the issue of dollar import licences would be tapered off in ensuing months so as to reduce the level of imports of goods included in the dollar budget to not more than 75 per cent. by value of the 1948 level as soon as possible. This action was always regarded by Australia as a crisis measure designed to meet the situation with which the whole sterling area was faced due to the widespread decline in our dollar receipts and the consequent reduction in central gold and dollar reserves.

At the same time, the Treasurer announced that the Australian Government had also decided to explore the possibility of securing additional dollar finance outside the resources which were counted upon in the review of the sterling area dollar position made during the July 1949 Commonwealth Finance Ministers' Conference. In fact, in October 1949 the Australian Government arranged a drawing of 20 million dollars from the International Monetary Fund.

Because the agreed saving in expenditure on dollar imports by Australia could not be achieved in 1949/50 on account of the commitments represented by outstanding licences, the purchase of dollars from the Fund did no more than enable us
to meet our commitment undertaken as a result of the 1943 Conference.

A statement attached as Annex C to the Supplementary Statement by Australia reproduces a table containing estimates of Australia's balance of payments with the dollar area which has been supplied to the International Monetary Fund for purposes of the present consultation. This statement sets out dollar balance of payments figures for the calendar years 1947, 1948 and 1949, together with details for the four quarters of 1949.

Whilst Australia does not take the view that the present consultation should be confined to the strict purpose of discussing the intensification by sterling area countries and Chile of their import restrictions on goods from hard currency sources in 1945, in the light of the conditions then existing, it does, however, appear to us, that in agreeing to discuss developments since that date, it is open to us to maintain that this involves a general consideration of the current international trade and payments situation and should, therefore, include all countries at present maintaining import restrictions and not the sterling area countries alone. It would also be open for us to argue that, in the light of the coming review in terms of Article XII (b) of the restrictions now being applied under Article XII, any discussion of the current situation should be postponed until then. We do not, however, propose to press this argument and are prepared to consult on developments since July 1949, provided it is accepted that this does not create a precedent.

I propose, therefore, to supply tentative figures of Australia's balance of payments with the dollar area during the first six months of 1950. These are a continuation of the table already circulated as Annex C to the supplementary Australian statement:

<table>
<thead>
<tr>
<th>Million U.S. $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Imports F.O.B.</td>
</tr>
<tr>
<td>Other payments</td>
</tr>
<tr>
<td>Exports F.O.B.</td>
</tr>
<tr>
<td>Other receipts</td>
</tr>
<tr>
<td>Deficit</td>
</tr>
<tr>
<td>Gold sales to U.K.</td>
</tr>
<tr>
<td>L.F. drawings</td>
</tr>
</tbody>
</table>

In presenting these preliminary figures at this stage I do, however, wish to emphasise that Australia's dollar export receipts during the first half of the calendar year are usually at their seasonal peak.

Moreover, the figure of "Other receipts" during the first six months of 1950 is exceptionally high because it includes what might be termed an abnormal capital inflow during June when there was a deal of international speculation on the possibility of the Australian pound being revalued. In effect, Australia received advance payment in June for some exports to the dollar area. Moreover, I wish to emphasise that the figures which I have just read out to the Working Party are still tentative.

As was mentioned in our supplementary statement, an important point to be borne in mind in considering the level of Australia's imports from the dollar area since July 1949 is that, apart from any decisions to reduce the rate of issue of import licences, the flow of dollar imports would, in any case, have been affected by:

(a) price changes resulting from devaluation of the Australian pound in September 1949, and

(b) the increasing availability of essential goods from Australian production, the United Kingdom and soft currency sources of supply.
Problems of a Developing Economy:

Perhaps before going on to talk about recent trends in our overall balance of payments position and our current dollar import policy I might say a few words about some of the major economic problems facing Australia at the present time. Australia is a rapidly developing country. Our population, as a result of net natural increase and net immigration, is increasing at a rate of almost 3\% per annum. I believe that this is a rate higher than that ever achieved by the United States during her periods of rapid development. The need to provide homes, social services, transport facilities, and all the other economic requirements of such a rapidly expanding population means that it is inevitable that we should have a very high rate of domestic investment.

At the same time, we have maintained exceptionally high levels of employment and incomes. This has meant a high demand for imports.

As rapid as possible a rate of balanced economic development is an essential feature of Government policy. Australia is faced with problems of bottlenecks in coal, iron and steel production, building materials, power, tractors and transport. Although the Australian Government is doing everything possible to solve these problems, strong pressure on available resources remains. The export prices of our major primary products are relatively high, and we are faced with high and rising import prices and an inflow of speculative capital. Under these conditions, despite an anti-inflationary budgetary policy, some price inflation is inescapable.

In order to meet our urgent needs it is the policy of the Australian Government to permit the maximum flow of imports into our country consistent with building up to a reasonable level of both our total international reserves and our reserves of convertible currencies, i.e., the central gold and dollar reserves of the sterling area.

Since 1948 our restrictions on imports from soft currency areas have been relaxed by stages until September 1950 when they were virtually abolished. Since June this year, Western Germany has ceased to be treated as a hard currency area. The Belgian and Portuguese monetary areas also ceased to be treated as hard since July this year, and on the 6th November Switzerland was classified as a soft currency source of imports. As from 1st September 1950 all goods of United Kingdom origin, except tinplate, and most goods from soft currency countries were exempted from import licensing. The medium, or hard, currency area is now limited to the dollar area, some European countries outside the E.P.I., and a few other countries, payments to which can involve a possible loss of gold or dollars to the sterling area.

Overall Balance of Payments:

I propose to refer to some of the key figures in Australia's overall balance of payments during the financial years 1947-48, 1948-49 and 1949-50. The value of our imports f.o.b. has increased from £A. 338m. in 1947-48 to £A. 537m. in 1949-50. During the September quarter of this year, imports were entering Australia at an annual rate of about £2.650m. On the other hand, the value of our exports f.o.b. has increased from £A. 400m. in 1947-48 to £A. 604m. in 1949-50.

It is, Mr. Chairman, quite impossible for me to provide a worthwhile estimate of the value of our export income during the financial year 1950-51 because of the uncertainty as to the price we will receive in the auctions for our major commodity, viz., wool.

Australia had a surplus on current account of £A.17m. in 1947-48, a somewhat larger surplus in 1948-49, but a deficit of £A.13m. in 1949-50.
Between June, 1947 and June, 1950 our total international reserves have, however, risen by about £A425m. This improvement has been almost wholly due to private capital inflow, much of which is of a speculative character. The Governor of the Commonwealth Bank of Australia recently estimated that as much as £A300m. might be regarded as "hot" money, i.e., advance payments for exports, delayed payments for imports and purely speculative capital.

If this sum were subtracted from the present total of our international reserves, i.e., about £A650m., the remainder is not large in relation to a total value of external trade in 1949-50 amounted to more than £A1,100m.

If we are to obtain the still greater quantity of imports we need, it is important we should have adequate international reserves against the contingency of a fall in our export earnings or a reduction of the inflow of capital.

Current Dollar Import Policy:

As the Australian Treasurer stated in his Budget Speech on 12th October this year, the Government has taken important action to improve the flow of supplies from abroad. When the Government took office supplies from the dollar area were still restricted and producers in Australia did not have access to many types of plant, equipment and machinery which can be obtained only from North America but which are absolutely essential to the efficient running of our basic industries and the progress of our development plans. As the Treasurer stated, the Government recognised the gravity of the general dollar problem and it has co-operated to the full with the United Kingdom and the other sterling area countries in measures to economise in the use of dollars. It was not satisfied, however, that enough had been done in a positive way, by borrowing or otherwise, to make more dollars available for developmental purposes.

Accordingly, the Prime Minister made it one of the chief objects of his visit abroad—the middle of this year—to explore the possibilities of raising a dollar loan. He was successful in negotiating a loan of 100m. dollars from the International Bank for immediate use in purchasing vital equipment for agriculture, industry and developmental construction. The International Bank approved this loan on 22nd August.

The issue of licences for the dollar goods which Australia will buy out of the proceeds of this International Bank loan is being arranged quite separately from our ordinary dollar import budget.

The Australian Government has accepted the recommendations of Commonwealth Ministers in September this year on the need to take all possible measures to expand dollar exports, to build up central reserves to a more adequate level and to continue to economise strictly in dollar expenditure.

Australia, like other sterling area countries, is, however, faced with the facts of higher prices for many imports from the dollar area, reduced availabilities from some soft currency sources of supply and the need to incur some increased expenditure in hard currencies to meet the requirements of her revised Defence programme. It is quite impracticable at present to put a figure to Australia's probable dollar expenditure under her ordinary dollar import budget during the present financial year. It is, however, I believe, quite safe for me to say that the volume of dollar imports which we shall authorise under our ordinary dollar import budget during 1950-51 is unlikely to be less than 75% of the volume of our dollar imports in 1948.
Because of the uncertainty as to the average level of prices ruling for our major dollar export, i.e., wool, it is likewise impracticable for us to submit any reasonably accurate estimate of our anticipated dollar income during 1950-1951.

Perhaps at this stage I might emphasize that Australia's dollar earnings fluctuate very considerably from year to year. Because, however, of the pooling of reserves by sterling area countries Australia is enabled to maintain far greater stability in the level of her expenditure on dollar imports under existing sterling area arrangements than would be possible if we were to maintain separate dollar reserves. That is why we consider that the central reserves must be built up to an adequate level.

In several places in the background report of the Fund on Australia reference is made to the so-called fact that the amount of Australia's sterling balances that can be converted in any one year is agreed on by an arrangement between the United Kingdom and Australian Governments. This is not a fact. The statement is quite incorrect. There is no limit agreed with the United Kingdom on the amount of our sterling and, indeed, of the sterling of any other independent sterling area country which can be converted in any given period.

Finally, Mr. Chairman, I do wish to stress that the aim of Australian trade policy is to assist sterling area and other countries to achieve once again the position where all quantitative import restrictions can safely be removed and our trade be fully multilateral and non-discriminatory. It is to achieve this objective that we and all other members of the sterling area are currently and in common applying discriminatory import restrictions. We dislike them and we wish to abolish them as soon as our convertible reserves, i.e., the central gold and dollar reserves of the sterling area, have been increased to a level which will permit this.

Mr. Chairman, Mr. Nimmo and I shall be happy to answer as many questions as we are able on our import restrictions, and our Government is prepared to note the views of the other Contracting Parties on our existing import arrangements.

I wish to make one final point, Mr. Chairman. I wish to express the same reservation as the Representative of the United Kingdom about the appropriateness of the conclusions in the Fund Report being made available to this Working Party. If I may use parliamentary language, Mr. Chairman, "I do not hear the statement of conclusions by the Fund".

Thank you, Mr. Chairman.