AUSTRALIAN IMPORT RESTRICTIONS

Relaxation of Restrictions

The following statements have been transmitted by the Australian Government and are circulated herewith for the information of contracting parties.

I. STATEMENT BY THE AUSTRALIAN TREASURER ON 16 JANUARY 1957

The Government has reviewed the balance-of-payments situation in the light of figures for our external trade and payments during the first six months of this financial year, 1956-57.

As a result of this review it has been decided to make fairly substantial relaxations in import controls. At the same time I must sound a warning against the building up of great expectations as to what may be possible in the future.

By comparison with the position of twelve months ago, which was very difficult indeed, our balance-of-payments situation can be considered to have improved greatly. We have reached a state of balance in our external accounts and if the wool market holds for the remainder of the selling season we should be able to make a worth-while addition to our overseas reserves.

It should be borne in mind however that what we do now on import licensing will determine the level of imports in a period beginning some months ahead. The big question we have to ask ourselves is whether we will be able in the future to sustain continuously a higher level of imports. I am sure no one would wish to run the risk of having to curtail imports again at some later stage.

Although exports of wheat and flour are likely to be somewhat greater this year than last and although there has been an encouraging increase in exports of steel products and other manufactured items, the main reason for the improvement in our export earnings has been the big increase in receipts from wool and that in turn has been the result of three factors. One is the
large carry-over of wool from last season due to the shearing dispute in Queensland in the latter part of 1955-56. The second is the exceptionally large wool clip this year, due in part to the cumulative effect of an extraordinary run of good seasons. The third is the strong rise in the wool market for which some authorities believe the Middle East crisis to be at least partly responsible.

Although export earnings have increased this year for reasons such as these it does not follow that we can afford a greatly increased level of imports now or in the future.

Let me put the matter this way. Total imports for the current financial year are now estimated to be about £720 million to £730 million. But these are f.o.b. figures. Freight has to be added and freight on imports in 1956-57 is estimated to be £110 million.

In addition there are all the payments that have to be made abroad for interest, dividends, remittances, travel expenditure and so on.

This year, so-called "current invisibles" are expected to involve a net overseas expenditure of some £180 million and next year they will probably be a good deal higher.

In brief, if in any year we are to finance imports on the scale of the current year and meet our other outward payments we need to have in sight external receipts of £900 million or more.

That amount of money can be obtained only from two sources, exports and capital inflow. Capital inflow has in recent years been a valuable help to us but it is an erratic item. One year it is up, the next year it is down. Exports have to be the main-stay and it takes a very good level of export income to cover an amount of imports even as large as we expect to obtain in 1956-57. There have been only three years in our history when exports have exceeded £800 million.

Although the season has so far been good in most parts of the Commonwealth and we have a good chance of achieving high levels of export production for next year, a lot can happen over a period of six to twelve months to affect both production and prices.

I have had it said to me that we ought not to add to our international reserves while there are unsatisfied demands for imports in Australia, but our reserves are still not strong in relation to our potential requirements for overseas finance. Even during recent years we have had experience of extreme fluctuations in our overseas receipts and expenditures and our reserves must provide an adequate buffer against such fluctuations. Let me recall that in one comparatively recent year, 1951-52, we had a total balance-of-payments deficiency of £431 million and our reserves fell by that amount. Again, between June 1954 and June 1956 the reserves ran down by £216 million despite the intensification of import controls at several stages during that period.
In a growing economy such as ours the need for essential imports must also grow. We have to reach a position in which the flow of such imports can be financed year after year without interruption. To do that, we must be able to tide over difficult periods when export earnings fall or capital inflow is diminished and that is the purpose of our overseas reserves. Strong reserves are vital to the continued progress of the Australian economy. It follows that when we have a chance, as we may have this year, to build up our reserves then we should make the most of that chance.

This is not to say that nothing can be done to ease the difficulties which import restrictions have been causing industry and trade.

Although total imports for this year are estimated at £720 million to £730 million, that figure includes the relatively heavy imports received during some of the earlier months of the financial year notably last August. The rate of imports likely to flow from import licensing in recent months is somewhat lower than the estimate of total imports for 1956-57. Moreover, we now have available the fifth International Bank loan of $50 million, equivalent to £22 million.

Accordingly, while paying due regard to future uncertainties, and to the need for strengthening our reserves position, the Government considers that some revision of import controls is now possible.

The Minister for Trade has already announced certain substantial relaxations on textiles. Other relaxations were given effect as from 1 January. The Minister for Trade will refer to them in a statement today. In total these relaxations are estimated to increase the rate of imports approximately by £30 million on an f.o.b. basis.

May I reiterate my caution against any belief that we will be able henceforth to make further relaxations in successive quarters. The position will be kept under continuous close review and if we judge it possible to ease restrictions further then we will do so. The Government, however, considers that it would be wrong at this stage to give any firm undertakings in that regard.

II. ANNOUNCEMENT BY THE AUSTRALIAN MINISTER FOR TRADE ON 17 JANUARY 1957

The Minister for Trade, the Rt. Hon. J. McEwen, announced today certain important changes in import licensing.

Mr. McEwen, in commenting on the extent of relaxation of existing restrictions, said that the Government had been watching closely the signs of improvement in the balance-of-payments situation. This improvement, while due mainly to improvement in wool prices, nevertheless reflected to a marked degree, a steady improvement in the export position generally as well as the effectiveness of import and economic measures taken early in 1956.
"Provided wool prices remained firm" said Mr. McEwen, "gains in Australian overseas reserves were likely to prove of quite solid value by the end of the current financial year."

"However," Mr. McEwen added, "it would be quite imprudent and indeed dangerous at this stage to mortgage all our expected gains in overseas funds by the full amount of such expectations. It was important to remember that the purpose of import restrictions was to improve our overseas reserves. Moreover, one can never be fully certain about the trend in export prices. Some unfavourable factors such as increased freight rates might make expectations of improvement in overseas funds run ahead of reality."

"The Government" said Mr. McEwen, "attached a great deal of importance to ensuring that any relaxation could be sustained over the long period. A policy which subjected industry and the consumer to successive sharp relaxations and intensification of restrictions was to be avoided."

"The most significant changes" said Mr. McEwen, "were in regard to textiles. New administrative measures would ensure that the needs of manufacturers and imports for the retail trade were looked at separately in the future. The increases in manufacturers' quotas as he had recently foreshadowed represented an increase of 60 per cent over the amount allocated for this item in July, and the increase to other traders was an increase of 20 per cent. In addition, changes in a number of category "A" quotas had also been made to meet pressing shortages."

"Total cost of these relaxations" said Mr. McEwen, "was likely to be about £10 million per annum." In addition to changes in quotas, Mr. McEwen said that substantial increases, some on a non-recurring basis, had been made in the licensing level of non-quota goods such as capital plant and machinery and agricultural implements. The Government's ability to take these measures was due to a great extent to the successful negotiation of the recent International Bank Loan, licensing against which is to begin forthwith.

"On an annual basis" said Mr. McEwen, "these total relaxations this quarter were at the rate of about £30 million f.o.b."

The possibility of making further relaxations would be kept under continuous review. Again, however, the Minister emphasized that further major relaxations would not be introduced until it could be foreseen with reasonable certainty that a higher rate of licensing could be maintained with some degree
of permanence. He desired to avoid the pendulum effect whereby over-optimistic relaxations or relaxations introduced too early have to be rectified by subsequent decrease in the licensing level, creating difficulties for importers and causing Australia embarrassment with the countries who supply us.

The Minister also announced some important procedural changes which in themselves were significant relaxation of rigid controls necessarily established during the last year. Thus, in the Category 'B', it had been decided to amalgamate sub-categories B(1) "various metal manufactures" and B(7) "Miscellaneous" into one sub-category B(1) "Miscellaneous". This decision had been taken to afford importers of these goods more flexibility in the operation of their quotas. Importers would also be permitted to transfer their quotas on a permanent basis from B(4) (Apparel) to B(2) (Textiles). This should help some importers and retailers maintain their supply position of textile piecegoods at the expense of imported and frequently high-priced ready-made apparel.

Careful consideration had also been given to the possibility of increasing the licensing period from three to six months. It had not been found possible to make this change, but the Government had decided to move from three-monthly to four-monthly periods - that is, to have three licensing periods a year instead of four. This was as far as it was prudent to go at the present time, but the innovation would reduce the amount of administrative burden which both importers and departmental officers had necessarily to carry under any licensing scheme. The new period will come into force as from the beginning of April next.

Mr. McEwen emphasised that the changes announced, full details of which were available from Collectors of Customs in the various States, were in line with recommendations from the Import Consultative Committee and various industry bodies such as those affiliated with the Chambers of Commerce and Manufactures. Relaxations were designed to help where the pressure and real need of industry, commerce and the consuming public was greatest. Relaxations were not in the form of general changes across the whole range of imports but, in keeping with the principles adopted last July, were selective and designed to meet greatest needs first. To do otherwise would have been to spread the butter so thin as to benefit no one.