AUSTRALIAN IMPORT RESTRICTIONS

Further 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 PRIME MINISTER ON 1 APRIL 1957

The Government has decided to raise the ceiling for imports for the financial year 1957/58 to £775 million f.o.b. This is calculated to permit additional imports of £75 million.

This decision by the Government follows a close study of the balance-of-payments situation and prospects. The picture is indeed very different from that which existed a year ago, when, on behalf of the Government, I made it clear that we were determined to arrest the downward run of our overseas reserves, and were, therefore taking drastic action to correct our balance of payments.

Export income this year seems likely to be considerably above £900 million. This will be the second largest export income in our history, surpassed only by that of 1950/51 - the year of the sudden boom in the wool prices - when exports were £975 million. We will have a trade surplus in 1956/57 of considerably more than £200 million compared with a trade deficit of £46 million in 1955/56. We expect that our international reserves will increase this year by as much as £150 million, bringing the total of those reserves above £500 million by 30 June next. It is very pleasing to note that increased export earnings are not solely due to increased prices, but have been materially aided by increases in the volume of wool and of other exports including a number of products of secondary industry.

1 Cf. L/619 concerning measures of relaxation taken in January 1957.
The Government still aims to get rid of import restrictions altogether. This result will, however, depend on the achievement of a number of conditions including a still further increase in the volume of exports, favourable terms of trade, strong overseas reserves and sound internal policies with the restraints on total demand for goods and services which such policies require. These conditions are by no means impossible. In fact we have made good progress towards achieving them.

I should stress the importance of our international reserves as a means of tiding over periods of low external receipts. Australia is a country whose external income can fluctuate very widely, since it depends primarily upon a few commodities the prices of which are determined by conditions outside Australia. Reserves of 2500 million may, in the light of our more recent exports, seem very substantial. But that amount cannot be regarded as adequate under any or all circumstances. We want to see substantial further additions to our reserves for succeeding years if that can be managed.

Our aim is to keep imports at a reasonably high level in order to meet the working requirements of the Australian economy and the domestic needs of the public. In this connection it is perhaps not widely known that the bulk of the imports into Australia represent raw materials or equipment for Australian industry. But while imports should be high, we must also guard against the risk of having to cut imports back again at some later stage. The results of such an action would be damaging to industry and trade and would do us great harm in the eyes of countries abroad who export to us. These considerations, of course, lead to the conclusion that while import relaxations should in our present circumstances be substantial, they should be calculated with prudence and with one eye to the future. This is what we have tried to do. Imports of £775 million per year will actually cost us more like £990 million a year when inward freight has been added. On top of this there is a bill to meet for net out-goings on account of remittances, travel expenditure, interest on overseas debt and the like. Our total payments overseas will, when the new relaxations begin to show their effect, be close enough to £1,000 million per year.

The Government will, of course, review the position from time to time, though probably not many useful conclusions can be arrived at until the 1957/58 wool sales have got under way, and we can form more dependable ideas as to what our total export income next year will be. It is, I think, proper to say that unless we feel sure of a still further strong improvement in our trade position, it is not likely that we could at that stage contemplate any further general relaxation of import controls. The details of the relaxations will be announced by my colleague, the Minister for Trade. But I can say in the broad that our object has been to maintain a fair balance between the main sectors of trade and industry, between finished import goods on the one hand and producers' materials and capital equipment on the other.

We have been very conscious of the interest of many "good customer" countries in these relaxations, and particularly in consumer goods.
We have also aimed to remove from the import licensing system features which were introduced in the period when licensing had to be particularly severe, but which trade and industry have found to be onerous. Having regard to some comments which I have heard, I should, I think, point out that the Minister for Trade and his senior officers have had a difficult and unpopular task. But they have throughout acted scrupulously in accordance with overall government policy, a policy which has worked out so satisfactorily that very substantial relief can now be given.

Full interchangeability will be restored within the "B" category of consumer goods, and provision is being made for the adjustment of some anomalies within the field covered by quota items. It is anticipated that there will be fewer hardships under the new ceiling than there were under the old.

**II. STATEMENT BY THE AUSTRALIAN MINISTER FOR TRADE ON 1 APRIL 1957**

Mr. McEwen referred to the Prime Minister's announcement this morning that import licensing would be relaxed to allow £775 million of imports for 1957/58.

He said that the relaxations which would be brought into operation immediately would be spread over a wide range of commodities.

With regard to the "B" category, which covers mainly consumer goods, all quotas would be increased by 66-2/3rds of their present value.

This would account for about £20 million of the £75 million relaxations to which he referred.

Category "A" quotas for consumer type goods would also be substantially increased, the minister said.

These quotas are already generally at a higher level than quotas for "B" category goods and the increase in quotas in practically all cases would be 20 per cent. of their present value.

This was expected to result in an increase by approximately £10 million per annum in the rate of importation of these goods.

Mr. McEwen said about £30 million would be allocated to increases in the level of imports of equipment and raw materials for Australian industry.

Increases would be made in connection with some quota items in category "A" covering these types of goods and also in allocations for some of the goods in the Administrative category.

This would enable the Australian industries in a number of cases to get more modern plant and to get increased quantities of raw materials which would enable them to achieve a more economical rate of production.
Some provision had also been made to deal with certain special licensing problems which could not be satisfactorily dealt with by the general increases.

Licensing controls have now been in force for five years and anomalies have arisen in connection with quotas held by some groups of importers.

Officials of the Department of Trade would be having some discussions with representatives of trading bodies in the near future to explore the possibility of meeting such anomalies.

Also the Government was at present reviewing the whole question of import of motor vehicles and components and additional licensing needs arising in connection with some projected developments in this industry.

A statement on the matter would be made after the Government had completed its review.

Mr. McEwen said also that certain administrative changes have been made to simplify the work of importers in placing orders overseas and in importing goods.

The most important of these changes was that the sub-category system in connection with "A" category would be abolished.

Commodities covered by the sub-categories "A.1" to "A.6" with the exception of paper which would be moved to category "A" would become fully interchangeable. That is, the conditions which operated before July last year would operate again from 1 April.

Mr. McEwen stated, however, that if it should ever again become necessary in the future to severely reduce imports, similar administrative devices would probably have to be resorted to in order to get the measure of control required and at the same time ensure that particular essential requirements would be met within a low licensing ceiling.

Other changes made included the transfer of a few commodities from one category to another.

Also, in connection with some items which were under administrative control, importers would be able to obtain licences by direct application to the Collectors, instead of applying in the first instance to the Import Licensing Branch in Sydney.

These changes were also being made to assist importers concerned.

As the Minister had announced in January, the licensing period would be extended from three months to four months as from 1 April.

Mr. McEwen said that the question of increasing the length of licensing periods to six months had again been closely studied by Ministers.
It was recognised as an aid to both industry and the Department in respect to some needs and administrative problems. Nevertheless, it was not considered possible to approve it at this stage, because by minimising periodic flexibility in administration, it made it impossible to keep commitments and licences within the almost precise limit the Cabinet considers necessary.

The Government had therefore confirmed its January decision to operate four monthly licensing periods as from April, but would review very thoroughly in November, when the trade prospects for the ensuing year would be much clearer, the question of moving to six monthly periods.

Mr. McEwen referred to the severe cuts which were made in licensing as from July last year.

He said that the Government had made these reductions in order to bring expenditure on imports down to what it then considered a safe level in the light of the balance-of-payments position at the time.

Imports in 1955/56 were £820 million. The ceiling which the Cabinet set for imports during 1956/57 was £700 million.

Bringing imports down to this level was not an easy task. The Cabinet directive to the Department of Trade had been effectively carried out. The evidence now available indicated that there was every expectation that imports would not exceed the Cabinet ceiling for 1956/57.

The inflow of imports for some months following the £700 million ceiling set by Cabinet in July 1956, was bound to be at a much higher annual rate than this ceiling because of the licences still current which had been issued in 1955/56 at a rate representing a much higher annual commitment.

Therefore, to meet a total actual import ceiling of £700 million for 1956/57 it was essential to reduce the rate of licensing as from 1 July to a level substantially below £700 million per annum.

This fact was a clear outcome of the new low ceiling set by Cabinet.

The actual licensing rate from July was at about the rate of £670 million/£680 million per annum.

This explains why a total relaxation of more than £100 million in the rate of licensing (£30 million announced in January and £75 million now authorized) can be accommodated within a ceiling for 1957/58 of £775 million.

The fairly drastic steps which the Cabinet felt compelled to take in July had severely affected the trading operations of a number of importers.
The relaxations in licensing levels and the administrative changes now announced would give substantial relief to many importers.

These relaxations and changes were expected, in particular, to relieve the hardship which had been suffered by a number of small importers holding "B" category quotas.

However, said Mr. McEwen, it was perfectly clear that the Department of Trade, in carrying out its instructions, would still be unable to accede to all the requests and the needs both of traders and of manufacturers.

Mr. McEwen stated that details of the changes in licensing levels of individual commodities under quota control would be available from Collectors of Customs in all States to-day.