18 January 1954

CONSULTATION UNDER ARTICLE XIV WITH AUSTRALIA

Summary Note on the First Part of the Consultation

Australian Statement

1. The Australian representative stated that the Government of Australia continued to find it necessary to make use of the provisions of Article XIV of the Agreement in as much as its import restrictions discriminated against imports from the dollar area. Licences for imports of goods originating in the dollar area remained in general restricted to essential goods which were not available from other countries in adequate quantities or on reasonable cost and delivery terms. Imports from the dollar area consisted mainly of capital goods and raw materials as well as some manufactures and other producer goods. Token imports of some less essential commodities were, however, permitted.

2. Estimates of Australia's balance of payments with the dollar area had been supplied by the International Monetary Fund in the background material. According to more recent estimates the trade balance for the financial year 1953/54 was a deficit of $55 million compared with a deficit of $86 million in 1952/53. Purchases by dollar-area countries of Australian goods totalled $161 million compared with $154 in 1952/53. Purchases of wool and sheep skins by the dollar area amounted to $84 million, almost exactly the same as in 1952/53, and remained in volume considerably less than those in previous post-war years. The volume of wool (greasy, scoured, carbonized) sold to the United States and Canada in the last five years was

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<th>Year</th>
<th>Thousand Bales</th>
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<td>1949/50</td>
<td>513</td>
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<td>1950/51</td>
<td>677</td>
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<td>1951/52</td>
<td>574</td>
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<tr>
<td>1952/53</td>
<td>300</td>
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<td>1953/54</td>
<td>280</td>
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3. Other exports to the dollar area maintained in 1953/54 the high level reached in the previous year. The chief commodities were ores and concentrates, lead, sugar, copper, pig-iron, dried and canned fruit, meats and other foodstuffs. Individually some of these exports fell over the year, but in total they reached a value of $77 million, compared with $71 million in 1952/53 which itself was about $15 million more than the previous best year.

Spec/28/55
4. Australia's imports from the dollar area amounted to $216 million in 1953/54 as against $240 million in 1952/53. This slight decline reflected a sluggish demand for dollar goods which lasted for about eighteen months. During that time licences were not being taken up to the permitted limit. Apart from the large stocks which had been filled up in the import boom year 1951/52, demand generally slackened off in Australia, and supplies from non-dollar sources were becoming available at competitive prices. Since the first quarter of 1954, however, imports had again tended to rise.

5. Invisibles in 1953/54 gave a net deficit of $86 million compared with the revised figure of $40 million in 1952/53, and the current account showed a deficit of $141 million compared with a revised $125 million for 1952/53. The unfavourable trend in invisibles was largely due to the virtual cessation of premium gold sales in 1954 and to some unusually large outward transfers of profits and dividends. The capital account surplus was $55 million in 1953/54 as against a revised figure of $100 million in 1952/53. Under the heading "Monetary Movements", $24 million were repurchased from the Fund, $96 million were estimated to have been drawn from the sterling area dollar pool, and Australian dollar balances declined by $14 million.

6. During 1953/54 restrictions on dollar imports were relaxed, particularly where it could be shown that commodities were available from the dollar area at lower cost or on better terms than from non-dollar sources. In this manner Australia was acting in line with the world-wide trend towards removal of discrimination. Major commodities such as raw cotton, timber and newsprint were now licensed for import from the dollar area up to the full extent of importers' requirements so that, in effect, there was no discrimination as between sources of supply for these goods.

7. During the year discussions were held with the United States and Canada on the question of token imports. For a number of years Australia had admitted token imports of certain North American products, such as typewriters, accounting machines, in order to allow traditional commercial connections to be maintained. Following the discussion this year, more items had been added to the list (e.g. canned salmon). Consideration would be given to any other commodity should the question be raised by an interested country.

8. The Australian representative concluded that the prospects for Australia's dollar position in 1954/55 remained uncertain at this stage. The position was also bound up with that of the whole sterling area, and, as far as Australia's own dollar balance of payments was concerned, the main determining factors were the amount of wool that North America would purchase and the price at which it would be bought. Although it was stated that stocks of apparel wools in the United States were at low levels and it could be hoped that after two poor years purchases of Australian wool would be again on the increase, it was as yet too early to make any forecasts on which policy could be based.
Consultation with the International Monetary Fund

9. In accordance with the procedure adopted at the Eighth Session, the International Monetary Fund had been asked to make available to the CONTRACTING PARTIES the results of its own consultations with the same governments together with the background papers prepared in the Fund in connection therewith. Accordingly the Fund had transmitted to the CONTRACTING PARTIES the results of its 1954 consultation with the Government of Australia, under Article XIV, Section 4, of the Fund Agreement, together with copies of background material prepared in connection with that consultation. The results of the Fund's consultation were as follows:

"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.

"The financial year of 1953/54 in Australia was one of stability and general recovery from the crisis of 1951/52 and the state of near balance achieved by mid-1953 improved further in 1953/54 under monetary and fiscal policies designed to prevent the resurgence of inflationary pressures. Australian international reserves continued to rise during the past year, although at a slower rate than in 1952/53 but have been declining in recent months.

"The Fund notes that, during the year, the Australian Government has responded to improvements in Australia's position by relaxing restrictions. However, in view of the likelihood of decreased export earnings in 1954/55, precautionary measures have recently been taken to bring certain imports under closer control. The Fund welcomes the statement of the Australian Government that it is anxious to remove restrictions and discrimination as soon as possible.

"In concluding the 1954 consultations, the Fund has no other comments to make on the transitional arrangements maintained by Australia."

10. The representative of the Fund drew attention to these documents and explained that although the background paper, dated 11 June 1954, gave some indication of the emergence of certain problems faced by Australia - such as the increase in imports and the likely decline in exports, especially the difficulties facing the export of wheat, it did not fully reflect the latest development. The results of the Fund consultation,
quoted above, were however based on these latest developments. Thus they made reference to the recent decline in international reserves, to the likelihood of decreased export earnings in 1954/55 and to precautionary measures taken to bring certain imports under closer control (see L/244).

11. On the balance of payments, the latest information showed an overall current account deficit in 1953/54 of £A 2 million as against a surplus in 1952/53 of £A 191 million. In July-September 1954 the balance of trade was in deficit in the amount of £A 55 million as compared with a surplus of £A 33 million in the same period in 1953. In conclusion, the Fund representative stated that the Fund's data generally supported those provided by the Australian representative and that the Fund's later data agreed exactly with the revised dollar balance-of-payment figures which he presented.

Discussion of various problems

12. The United States representative indicated that his delegation was glad to hear of the improved balance-of-payments situation of Australia which had enabled it further to relax its import restrictions. In particular it was gratified to hear the assurance that the Australian Government was anxious to reduce in so far as possible the discriminatory element of its restrictions. The United States Government hoped that the Australian Government would soon be in a position further to reduce and eventually to eliminate the discrimination in the application of its import restrictions.

13. The Canadian representative, while sharing the general views of the United States representative and while expressing satisfaction over the relaxation of restrictions on such imports as newsprint from the dollar area, regretted that the relaxation of restrictions on dollar imports had not been fully in keeping with that for non-dollar goods. In particular, most semi-processed commodities were still under individual licensing and the Canadian Government hoped that both in the interest of the exporting countries and in Australia's own interests more liberal control policies could be evolved in the near future for such imports.

14. The United States and Canadian representatives expressed satisfaction on the undertaking by the Australian delegation that its Government was prepared to consider any further requests regarding imports. Their respective Governments would in due course communicate with the Australian Government regarding additional commodities for which they desired the issue of licences for imports. Upon this the Australian representative further assured the two delegations that his Government would always be prepared to discuss problems relating to any particular commodity.
15. The United States representative referred to a recent action by the Australian Government to increase the percentage of domestic tobacco required to be used in the manufacture of tobacco products other than cigarettes and enquired about its purpose and the possibility of relaxing this requirement. The Australian representative stated that he was not in possession of the latest information on that subject, but suggested that the United States representative might like to discuss it further with the Australian delegation.

16. The Netherlands representative referred to the measures recently taken by the Australian Government which affected the products previously admitted on the non-quotas restricted basis. The transfer of these goods under Category A quota control and the limitation of the importation to 100 per cent of base-year imports would have certain unfavourable consequences for exporters. It was the desire of the Netherlands Government that in introducing this measure the Australian Government would give special consideration to goods already covered by firm orders. The Netherlands representative wished to know if licences would be issued without limitation for such goods.

17. In reply, the Australian representative drew attention to the fact that this measure related to non-dollar imports, and hence did not fall under the purview of the present consultation. Whilst his delegation would have no objection to answering the questions raised following the precedent set in the consultations of previous years, the required information was not at his disposal. If the Netherlands representative had any specific cases to raise his delegation would be prepared to discuss them.

(The Chairman summed up the discussion and announced the conclusion of the consultation, subject to further examination of the Working Party's report on the consultation. The Canadian representative, however, reserved the position of his delegation to raise other questions at a later stage.)