PRESS STATEMENT

IMPORT LICENSING AND THE COMPOSITION OF IMPORTS

June 11th, 1961

Ever since the Government lifted import licensing 15 or 16 months ago the Government has been under attack from some sections of the community to have import licensing re-imposed. Such people try to say that since licensing has been lifted a flood of consumer goods have come into this country, embarrassing our overseas payments and causing difficulty to Australian industry. They go on to say that as a result of these difficulties the Australian Government has been forced to pursue unpopular measures and to institute a credit squeeze.

This is a one-sided story of what has taken place. It is a story that has been put about for the very purpose of achieving re-imposition of import licensing. Manufacturers in Australia quite clearly liked import licensing, because under import licensing they had a guaranteed market in this country irrespective of whether they were producing essential or luxury goods, and almost irrespective of the prices they charged. It is quite clear that many manufacturers put up prices more than they need have because of the dual protection that import licensing gave them.

It is worth noting that the traditional Australian protective method is through the tariff, and we have efficient and traditional machinery for protecting Australian industries through the tariff. There are also emergency procedures, instituted last year, which would enable an industry to get a quick Tariff hearing if it was suffering harm as a result of dumping or as a result of undue imports.

Import licensing has never been designed to protect industry - it was designed to protect our Balance of Payments. The Campaign of the last 12 or 14 months has been designed to bring import licensing back as a protective method for Australian industry, and this the Government is determined not to do.

However, this is all general. If you examine what has happened to the increased imports since import licensing was lifted you find little or no substance for the case that Australian industries are being harmed by a flood of consumer goods which are displacing the products of Australian industry.

Imports in 1960 rose in value by £231M above the level of 1959. This was a heavy increase. When we look at the composition of this increase we find that 64% was producers' materials - that is materials used by Australian industry in the course of manufacture - 14.3% represented capital equipment - again equipment used by industry - about 5% or 6% represented other miscellaneous items which were again essential to production or to munition or war stores. Thus, over 82% of the increase in imports represents producers' materials, capital equipment or what is called in technical jargon "auxiliary aids to production".

The flood of consumer goods, to use the term that has become current, amounted to 17.5% of the increase in imports. This is relatively small proportion of the increase.
If we look at the break-up a little further we find that food, drink and tobacco increased by £6M. from £33M. to £39M. between 1959 and 1960. In absolute terms the increase in imports of all consumer goods was £41M. out of a total increase of over £231M.

The significant part of the break-up concerns producers' materials and capital equipment. In absolute terms the increase in producers' materials was £153M. or two-thirds of the total increase in imports. Of this £153M. imports of iron and steel and of materials for the motor vehicle industry each accounted for about £30M. making £60M. in all. Imports of capital equipment increased by 17% between the two years. But if imports of aircraft, which were abnormally high in 1959 due to the purchase of Boeing's and Lockheed Electras, were excluded the increase in capital equipment is 27%.

So far from competing with Australian industry these are materials that are used by Australian industry to produce finished consumer goods in this country. It is difficult to see then how the claim that almost the whole of the imports or the increase in imports are consumer goods can be justified. In fact, what has happened is that while manufacturers have been campaigning most strongly for the re-imposition of import licensing they have, at the same time, been importing up to the bring of their available finance. They have done this on the assumption that if import licensing were re-imposed the present year would be taken as a base year and they wanted to make quite sure that they had a large import over this particular period. This, of course, has meant that stocks have risen very much over the past twelve months. The sooner manufacturers are importers realize that the Government is determined to maintain its present position in regard to import licensing the sooner will the imports start to reduce drastically because they will realize that import licensing is not going to be re-imposed and that therefore there is no need to try and import heavily over current needs at the present time.

There is one final point. People have said to me why not re-impose import licensing and relax the credit squeeze. Unfortunately, it would not work like this. The main reason for the credit squeeze is inflation. If imports were reduced the volume of money would be the same but it would be chasing a smaller volume of goods. Therefore, to prevent inflation, under circumstances in which licensing was re-imposed, credit restrictions would have had to be more severe than they have been.

I don't think any of us would like that. Although I have said in this article that the campaign to have import licensing re-imposed is inspired largely by manufacturing industries that wish to have the dual protection of licensing in addition to tarriff, and although I have therefore inferred that most of Australian industry does not need this dual protection I would not want any one to imply from my remarks that some industries have not been to some extent harmed. Where industries can demonstrate harm the Government has instituted in-a-very-short
emergency procedures which make it possible for emergency tariffs to be instituted in a very short space of time, and these emergency tariffs hold the position until a full Tariff Board hearing can be held. The Government initiated these emergency procedures to cover the very position that would arise once import licensing has been lifted. It recognised the traditional tariff procedure would be too slow in some instances and that some quick method of protection could become necessary. Many industries, such as the woollen piece goods industry, have taken advantage of this emergency procedure and others are in the course of doing so.
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11 June 1961

http://hdl.handle.net/11343/40007

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