THE TARIFF AND THE FARMER

Recently, the Government passed legislation to extend the emergency procedures that both primary and secondary industries can use to obtain quick protection in the face of overseas competition.

The legislation creates a special authority appointed by the Minister who will work very loosely within the framework of the Tariff Board and who, in the first instance, will be empowered to recommend the emergency tariffs to protect an industry, or if tariffs are ineffective, in his opinion, he would be empowered to recommend quantitative restrictions to protect a certain industry.

The legislation was supported by the Opposition. The Bill was designed to be a temporary one and the Prime Minister himself made it clear that it was the intention of the Government to weave quantitative restrictions into the general framework of the Tariff Board at a later stage. It is this aspect of the legislation that has given Bert Kelly from South Australia and myself cause for considerable disquiet.

First, may I say that I am in favour of protection and, if necessary, high protection. There are many advantages that come from it. Industries can be established. Our economy can be diversified. Employment can, at times, be improved. These are some of the advantages that can come from wise tariff policy. Because it is most important that tariffs should always be imposed only after what is almost a traditional inquiry and without political interference, we have, over a period of time, developed our Tariff Board procedures and principles. The Board has established a high reputation in Australia and overseas. The present Chairman of the Board, Sir Leslie Melville, has done much to improve this reputation in the last two years, following the difficult period which was inevitable after the full relaxation of general import licensing.

Up to the present, the Board has not had power to use quantitative restriction although the Minister has always been able to use these, if necessary, to protect our balance of payments to protect certain industries.

The legislation just passed gives an aura of respectability to quantitative restriction which they had not previously held. I am not going to go into the economic reasons why I dislike quantitative restrictions because they would take much longer than anyone would be prepared to listen, but may I say that the effect of quantitative restrictions is to increase costs more than tariffs, to promote a tendency towards monopoly in the industries that are protected by them and to lead to monopoly profit which will generally be won by the strongest group in any particular industry. In addition to these, quantitative restrictions are likely to lead to an adverse movement in the prices we have to pay for imports, and finally, they provoke retaliation from other countries in a way that tariffs do not.

These are just some of the results of quantitative restrictions. It is for these reasons that Bert Kelly and myself tried to mount opposition to the Bill but such opposition could, of course, be only academic, because the Opposition in Parliament — the Australian Labour Party — had pledged themselves to support it. Indeed, they had pledged themselves to use quantitative restrictions over the whole field of Australian imports which would mean going much further along this particular road than the Government has any intention of doing.

It has been said that the primary industries should welcome this measure because primary industries can be vulnerable to outside
competition just as easily as secondary industries and, therefore, primary industries should like quantitative restrictions. There is some truth in this but, in reality, this defence of quantitative restrictions, which is really only another name for import licensing, in a limited field, begs the question.

To explain this I would draw primary industries into two groups — those industries like peanuts, tobacco, cotton, which are in their infancy in Australia and which do not supply the whole Australian market on the one hand — and on the other we have the major Australian industries, wool, wheat, meat, sugar and the dairy industry. The first group would be in very much the same position as secondary industries. It does not supply the whole Australian market and it cannot export. If such an industry needs protection, it can get a tariff. Both the emergency and full Tariff Board procedures have been open to such industries and they have been used by such industries more than once. No one has yet demonstrated that a tariff has been an ineffective method of protection and its great advantage is that it does preserve some element of competition where quantitative restrictions nearly always destroy competition, consequently causing some degree of monopoly in the industry.

The Government believes that quantitative restrictions will be used in such a narrow field and on such a limited number of occasions that the tendency to monopoly would be very small and controllable especially when restrictive practice legislation is passed. I doubt this, because I think that import restrictions or quantitative restrictions are something that once admitted, even in the narrowest sense, will slowly spread through the whole body of our protective arrangements. However, I was speaking about the two groups of industries and I come now to the major group of industries — the exporting industries. It is worth noting the organisation of these. We can leave wool aside because there is no competitor with Australia for wool in the sense that no other country would try to sell raw wool to us. However, the position could be different with wheat, meat, sugar or butter, and some people have tried to say that this recognition of quantitative restrictions will be of benefit to such industries because they are as vulnerable as secondary industries. I think the analogy is quite false.

The sugar, wheat and dairy industries sell their products on the home market under rigid price controls agreed upon throughout the industry, thus there could be no monopoly profit for the people in these industries. In addition, these industries supply large surplus quantities for export which are often sold at lower prices and thus the industries are not immune from outside competition. Indeed, they often feel the cold draught of this overseas competition. Therefore, the straight out embargo that any and every Australian Government has always imposed on any other country that may want to export butter or wheat or meat to Australia has justification.

If we take the meat industry we would find that there is also an embargo on any imports of meat into Australia, except in certain items of canned meats, and even though the meat industry does not operate under price control in this country it is quite clear that the prices we get for our beef and our lamb are set by world-wide competition because we have a surplus of beef and a surplus of lamb for export and it is the competition in the export market that ultimately sets the price inside Australia.

Considering these factors we find that all the major export primary industries are subject to very severe competition and some of them to price control in Australia. There is, therefore, a constant pressure to reduce costs. Now, on these grounds, the administrative arrangements that have been made to keep out imported butter, imported lamb or imported wheat, have full justification and no Government would ever think of relaxing such provisions. To say, therefore, that these industries need the protection of this new legislation is nonsense. There is no comparison between them and that Australian secondary industry that supplies a part of the Australian market and which, if protected by quantitative
restrictions will, in many instances, enjoy relatively no competition and thus will have no pressure upon it to keep its costs down.

It should be remembered that it is easy to impose a quantitative restriction but much harder, on political grounds alone, to remove one. Those of us who do not like quantitative restrictions have the consolation that this is temporary legislation. We have the consolation also that the Government has said that they will be used only in the narrowest of circumstances and only occasionally. However, there is the real fear that once used they will spread and grow throughout all our protective arrangements and this is what we must watch very closely.

The great primary producing organisations would, I believe, do a real service to this country if they could bring their weight to bear to persuade the Government that there should be no permanent quantitative restriction machinery until after a full Tariff Board inquiry has been held into the general procedures and principles of that Board. If this were done, we would know more clearly where we were going. We would know more clearly the economic consequences of what we were intending to do.
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