

TARIFF BOARD BILL

SPEECH BY THE PRIME MINISTER, THE RT. HON. R.G. MENZIES
IN THE HOUSE OF REPRESENTATIVES
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Sir, I think that this is a proper opportunity to say something - not, I think, unduly contentious - about the Tariff Board Bill as it fits into the general pattern of overall policy, because there may be some confusions here or there. It may therefore be helpful to indicate how we understand this matter. This is a bill which, if you put it in a short way, is designed to facilitate the imposition of Q.R. - quantitative restrictions on imports - in certain uncommon cases. These are special cases demonstrated by special circumstances. This measure does not represent a reversion to import licensing as we knew it. Import licensing as we knew it, in the broad, inevitably meant what I think most people would call a bureaucratic control, and it had heavy implications of an unscientific second line of tariff protection. That second line of tariff protection was quite unscientific because it covered in a broad sweep so many hundreds of items. I describe it as an unscientific second line of tariff protection because, although my colleague, the Minister for Trade (Mr. McEwen) and I time after time endeavoured to make it clear that this was not regarded as a protective device, it perhaps inevitably came to be regarded in that sense, as I think the honourable member for Richmond (Mr. Anthony) pointed out late this afternoon.

This broad sweep of import licensing was not to be regarded as a protective device. It had two disabilities, to say nothing of the others. One was, as I have said, that it was unscientific, because it covered a wide field, not in a discriminating way. In the second place, it was something that could be imposed by a government through a Minister without reference to any outside authority or check. My colleague, the Minister for Trade, who, I am sure, would have liked to be here and who, I venture to say, is doing a magnificent job for us overseas, liked this broad sweep no more than I did. In the result, the Government gave thought to it. We considered the problems that are arising, some of them in the short run and some of them, perhaps, in the longer run. We decided, as I announced some time ago, that we would set up machinery involving a reference to an independent adviser to enable import quota restrictions to be imposed, not as a general rule, but in very particular cases in very particular circumstances. In other words, as one honourable member has said in this debate, this is a holding measure introduced in order that we may prevent things from getting worse in certain instances before they become better.

There is one other thing that perhaps ought to be said, Sir, for these things occasionally are overlooked. That is that the restoration of general import licensing which has been advocated here or there could not be justified internationally when our overseas funds are as healthy as they are now, and at a time when it is perhaps the fashion - an undesirable fashion - to pretend that what was announced at the end of 1960 is now abandoned. I remind the House that one of the many great products of the policy then established is that today our overseas funds are healthy and our current overseas balances of trade are healthy. These are good things. They are not to be forgotten and certainly not to be apologized for.

What this bill does is to provide for an independent inquiry. I will not pursue the question of the identity of the gentleman who has been appointed to conduct this inquiry, except to say that if there is one matter on which my friends opposite and I can agree entirely it is that Sir Frank Meere is a distinguished honest civil servant of great experience and, I think, of great objectivity. We wanted an independent inquiry, Sir.

That is the first thing. The second thing that we wanted was that there should be in the independent adviser a faculty to recommend quota or quantitative restrictions only in special cases in special circumstances. If I repeat that for the second time, honourable members will realize why I do. We are literally dealing with a very particular set of circumstances which may exist for a year or for two years, but which we hope will not necessarily exist for ever. Therefore, the third essence of the proposal is that quantitative restrictions, if they are recommended and adopted, should be temporary. Honourable members know from their perusal of the bill what is involved in that.

It has been said, I have no doubt in the best of good faith, that the very presentation of this bill to the Parliament exhibits some want of confidence in the Tariff Board. I want to say on behalf of the Government that that is not true. We are not challenging the Tariff Board. What we realize is that in spite of the measures that we have taken in the past to increase the personnel and the services of the board the pressure on that body still remains enormous. I reject the idea, which has been given some circulation, that the board has slowed down and is not dealing with matters as quickly as it used to deal with them. If I had time, I could cite figures to demonstrate how untrue that idea is. The Tariff Board is a very great authority, and we stand in great debt to it. It has a reputation, not only in this country, but around the world, for integrity and objectivity, and nothing that we propose in this bill is designed to weaken its authority or to give even the vaguest hint that we might want to be without it. That idea is not true.

When you are dealing with temporary matters for which a pressure comes suddenly - a pressure that you hope will not continue to exist indefinitely in the future - there is an unanswerable case for taking uncommon measures. If we had stood still and said, "Oh, well, leave it to the Tariff Board; we will do nothing about it", we would properly be accused of leaving some industries or some sections of industry to be murdered by a sudden spate of overseas competition. Perhaps one of the best illustrations of this is that my friend, the honourable member for Richmond, when saying something at slight variance from what had been said by my thoughtful and able friend, the honourable member for Wakefield (Mr. Kelly), said, "Well, there are cases in which quantitative restrictions may be desirable". He instanced timber. Well, I can understand that. Somebody else, somewhere else in the House, might have instanced paper. The honourable member for Braddon (Mr. Davies) might very well be heard to say, "What about paper?" Somebody else might instance chemicals of certain kinds. Somebody else might instance glass of certain types. The truth is that not one of us can have within his own knowledge a complete survey of all the industries. But when you get down to brass tacks you will find that there are a few industries - not too many; this is not of universal application - or sections of industries in which the sudden impact of competition from overseas calls for unusual measures, not in the long run but in the short run. That is one of the reasons for this bill.

I wonder, Sir, whether I might pause at that point to direct attention - I am not the first to do it - to one aspect of the European Common Market negotiations which has, I think, been continually overlooked. It is quite true that at this time my colleague, the Minister for Trade - who, in spite of all the silt-tattle that I hear, is a great defender of Australian industry - has immediately before him problems of our rural industries and of our export industries, questions such as what going to happen to butter, what is going to happen to wheat, dried and canned fruits and many other commodities. But we can very easily overlook the fact that one of the great forces moving the United Kingdom in the direction of the European Common Market -

Mr. Cairns - Is the United States.

Mr. Menzies - No. I will make my own speeches, if you don't mind. They usually turn out a little better that way. One of the great forces moving the United Kingdom in the direction of the Common Market - we know this from what has been put to us - is the fact that inside the European Common Market there will be, for the great industrial manufacturing countries, an extended home market. Nobody can fail to understand the position of a British Minister, sitting in Whitehall and saying, "We have a home market of 50 million people, but inside the European Common Market we will have a home market, with internal free trade, of 250 million people". As everybody knows, that was one of the main reasons why the six European countries got together, beginning with the Schumann plan for steel, and then developing a wider association. They saw at once that if they could get this home market, something roughly corresponding to the almost fabulous home market of the United States of America, they might expect to produce more cheaply and therefore sell more cheaply. What has been overlooked, to some extent, is that British entry into the European Common Market, if and when it comes, while presenting an obvious challenge to our primary export industries, will also represent a powerful challenge to Australian manufacturing industries. It will mean that the producers of manufactured goods in European countries, including, for this purpose, the United Kingdom, will be in a powerful competitive position in our own market. So, not for the first time, we have to bear in mind that we are all involved in this matter. The manufacturer is at risk because of the Common Market; the farmer is at risk because of the Common Market. Therefore it is rather foolish-certainly unnecessary - to revive at this stage some of the old battles between protection and free trade which were waged before any of us thought of coming into Parliament.

All these considerations show clearly that we have immense interests in common, and they show to me and to my colleagues that we neglect any of those interests at our peril. In other words, we must take steps to ensure the continuity and growth of manufacturing. We will be imperilled if we fail to take steps to avoid building up the costs of our export primary industries to a point at which those industries will be priced out of a market which is vital to our future.

So, Sir, this is not a conflict in the orthodox sense. This is a great opportunity for showing a unity of approach to these matters. When I hear certain attempts being made to drive a wedge between parties on this side of the House, I say to myself, "This is all nonsense. We are all on the same side in this matter. We may have opinions which vary a little in degree, but certainly not opinions which differ in deep principle".

Now, Sir, I do not want to involve myself - having already used a little more than half my allotted time - in detailed and technical arguments as to whether a quantitative restriction, carefully selected, loads costs in Australia or reduces them. I have listened with great respect to arguments which suggest that a quantitative restriction will load costs more than a high tariff. All I want to say at this stage is that I am unable to subscribe to that view.

Mr. Pollard - You are an innocent abroad.

Mr. Menzies - I am not. I am an innocent at home. I wonder whether my distinguished friend the honourable member for Lalor (Mr. Pollard) means that he is quite satisfied that a quantitative restriction will increase costs in Australia. If he does, I am a little puzzled as to why he is supporting the bill. Perhaps I am not so innocent as he thinks. But, Sir, I just offer my own view that there will be cases in which the imposition of a quantitative restriction will reduce the risk of having costs and prices rise in Australia.

Mr. Pollard - That is right.

Mr. Menzies - Now he says that is right! Previously he said I was an innocent abroad. Anyhow, my friend agrees with me that it is right. One of the beauties of this piece of legislation is that it is a temporary proposal. It will be, as I shall explain further later, merged into longer-term legislation, and if my own view happens to be wrong - not for the first time -

Mr. Pollard - Oh!

Mr. Menzies - You are thinking of matters different from those I am thinking of. Anyhow, if my view happens to be wrong, we will have ample opportunity to examine it when we are discussing the longer-term legislation. In short, if I may adopt the phrase used by one honourable member, this is a holding measure.

The next thing I want to say is that we attach enormous importance to stabilizing costs in Australia. If any item of policy pursued by us loads the costs of production of the major export industries of Australia, then it will deliver a crippling blow at the Australian economy.

Mr. Pollard - Everything you have done since 1949 has had exactly that result.

Mr. Menzies - I heard you; now you listen to me, dear boy. I heard one of your heelers make that statement this afternoon. All I am doing now is what I am allowed to do - offering my own views, on behalf of the Government on this matter. We believe that one of the central principles of economic policy is that we must not put the export industries at risk. The task is far from completed as yet, because my distinguished colleague, the Minister for Trade, is still abroad fighting our battles. We are preparing a further Tariff Board measure. As I and others have made clear in public statements, we propose to weave quota restrictions into the general Tariff Board fabric for use in selected cases where a tariff is not the appropriate remedy. I do not need to tell honourable members that this is not simple. This is not something you can run up overnight on a typewriter. This requires a great deal of thought, and I am determined that before we do anything my colleague, the Minister for Trade, will have the fullest opportunity to offer his views.

In the general armament of the Tariff Board we will include the capacity to impose a quota restriction where the board is of opinion that no normal tariff procedure will be appropriate to the case.

Mr. Pollard - There is no provision in this bill to do that.

Mr. Menzies - I am referring to the bill which, unless I am bitterly disappointed, will be presented to the House in the Budget session.

All this means that we are examining the underlying problems of the economy. The greatest problem of the economy is to reconcile a few matters, each of which is magnificently important in its own fashion but each of which may have to be modified a little in the interests of accommodating the lot. Let me re-state shortly the problems that we have: First of all, we must build up our population by natural increase and by substantial migration. This, I think, is a national objective to which all honourable members subscribe. Secondly, we must achieve and maintain full employment for that increasing population.

Opposition Members - Oh, no!

Mr. Menzies - In stating these factors I am unmoved by the professional unemployment mongers on the other side of the House. They will all be absent on sick leave when we find that there are no unemployed in Australia because, like Othello, their occupation will be gone indeed. Thirdly, we must support actively and continuously the growth of manufacturing industry which I say categorically is vital to the absorption and employment of our increased population. That does not mean that I am ignoring the tertiary or service industries. I know that they have just as big a part to play as have primary and secondary industries, but the truth is that if you look at employment and increasing population in Australia you must look first, in modern circumstances, at what is happening in the manufacturing field. Therefore, we are all for it. Our clear policy is to support actively the growth of manufacturing industry. Fourthly, we must develop the basic resources of the nation. Government expenditure, sometimes rather sneered at by people, is the vital foundation of industrial development and of population increase.

We must try to do all these things while encouraging the export industries which, in the most literal sense, are vital to our international trade and solvency. At our national peril we must not cost them out of their markets. This seems so clear that I could hardly imagine any one would deny it. How are we to do that? In our recent announcements we have indicated several ways. The first is to keep down rural costs by measures designed to increase the efficiency of rural industries. I have only to refer to the work done in scientific research and in extension, in which so many of my friends are so deeply interested, to make it clear that from our point of view the first great thing to be done for the primary industries is to help them to produce in a quantity and at a cost level which will defend them against other increases in the Australian economy.

The second way by which we hope to achieve our objective - I emphasize this point because occasionally it is overlooked - is by measures calculated to increase the efficiency of local manufacturing and so enable the local manufacturer to keep his costs and prices within proper limits. Whatever is done, whether by way of investment allowance or in any other way to help the local manufacturer to keep his costs within bounds, has a direct bearing upon the ultimate costs of the rural producer who cannot pass on his additional costs but has to bear them. Concluding on this aspect, let me say that one way in which we can help the Australian manufacturer to keep his costs within bounds, apart altogether from granting investment allowances, is by making it possible for him to secure a share of the Australian market which will enable him to spread his overhead costs over the largest possible number of units.

We might look occasionally at the rest of the world to see what has happened in modern industrial history. What does it show in relation to America and modern Germany? It shows that lower costs and greater export markets are the product of a large sustained and assured home market. There is a lesson to be learned from all this. Why should we deny to our own great manufacturing industries - I am not talking about casual fly-by-night enterprises - the very thing which has made their rivals in the world powerful and has enabled them to put such pressure on our business as to require heavy tariffs to provide protection? These are all matters which have to be taken into account. Perhaps I have gone a little wider in my remarks than one or two rulings that I have heard might have permitted.

Opposition members.- Hear, hear!

Mr. Menzies - That is right; but still I have done it. I wanted to put this matter in the picture. First, I wanted to make it clear that we have the liveliest interest in protecting the production costs of the primary industries because without them this country is finished. Secondly, we have the liveliest interest in maintaining a vast increase of population and therefore a vast increase, among other things, of manufacturing enterprise on proper terms. Really, one of the great problems of statesmanship in Australia today is not to engage in a lot of slang-whanging in these matters but to see how you can reconcile these matters to the greatest possible extent. It is for all those reasons that this is a bill to set up a temporary machine to deal with a temporary problem, so that we will not have the whole thing run away from us before we get to the point of establishing permanent machinery and a permanent body to deal with it.
