A few comments on methodology may be helpful:

A historical comparison is appropriate, as the maximum error (1962) is only 13% and the average error is approximately 7%. By analyzing this historical data, which is limited to the last nine years, certain relationships between the stated factors (National Income and Terms of Trade) are evident. For a 1% increase in Australia's national income, the average value of cargo has increased 1.5%. The same direct relationship applies to a change in the terms of trade (Australian wholesale price index and U.S. exports price index) as a 1% positive change results in an average 2.5% increase in the value of Australian general cargo import traffic.

For the 1957/1965 period, the independent variables have been on the average positive and increasing. Thus the trend for *value and general cargo weight tonnage is projected at 11.5% annual increase* for the 1966/1975 period. One should remember this is a trend line which expresses a prevailing tendency of the data and individual values for a given year will fluctuate around this line (11.5%).

With regard to the future, it is always possible that the independent variables (national income, wholesale price index, and United States export price index) could change, i.e., new trading partners, tastes, war, major depression, etc., and alter the trend. Nevertheless, the economic model has proven to date to be correct and can, for the present, be considered a reasonably reliable guide, provided artificial controls are not imposed.

Australian exports: In the next decade, exports of primary products (wool, lead, zinc and meat) from Australia to U.S. Atlantic and Gulf are not expected to expand as dramatically as Australian imports, with the notable exception of meat industry exports. (Exhibit "C")

Wool market projections indicate that Australian exports to the United States will decline. Three causes are evident:

Continued substitution of synthetic for natural fibers coupled with a predicted slowdown in the rate of growth of United States national income.

Continued growth of imports of wool fabrics sustituting for raw wool imports.

A probable slowdown in the decline of United States domestic wool production due to higher prices of Australian wool and lamb.

Therefore, it is indicated that:

Imports of raw wool in 1967 should be sixty-two million pounds or 32% of the 1965 level.

Imports of raw wool in 1970 should be sixty-seven million pounds or 35% of the 1965 level. (Please see Exhibit "F")

Lead and zinc exports from Australia to the United States can be expected to remain at low levels. Lead and zinc virtually always occur together in nature and, therefore, the fortunes of one inherently affect the other, although their markets are widely different. Nevertheless, they both have tended to exhibit only very slow growth over the long term. We expect a continuing slow growth in United States consumption of lead, while zinc consumption will probably level off and perhaps decline. In addition, production capacity is being greatly expanded in both the United States and Canada.

The outlook for the meat trade is most encouraging for the American consumer. Our analysis indicates that:

Total meat imports will rise 66%, or an average annual increase of 11.7% between 1965/1970.

The growth rate would not be sufficient to trigger current quotas until the 1970's.

Again, a comment on methodology:

Our forecasts are based on a mathematical model of United States consumption, productions and imports of meat which was specifically prepared for this analysis by Arthur D. Little, Inc. The principal variables in the model are United States disposable personal income, the price of meat in Great Britain and the price of meat in the United States. Two alternative assumptions were made about the future direction of United Kingdom meat prices to span the feasible range of United Kingdom's prices over the coming years. From this we have generated two forecasts of United States meat imports. The high forecast assumes that United Kingdom meat prices will continue to grow at the rate they have been growing for the short term during the last year. The low forecast assumes that price will conform to the lower levels of the long-term trend. The range of projected meat exports is shown in Exhibit "D". The range between the high and low projections is seen to be relatively small because the high projection bumps