U.S. Our poor selling performance in the United States is due in large part to the high wool tariff, severe quota restrictions on dairy products and the uncertainty surrounding access for meat due to the threat of quarantine and other restrictions.

In absolute terms the deficit against Australia in its trade with the U.S. has increased over recent years, as the following table shows:

[In thousands of Australian dollars]

	1963	1964	1965	1966	1967
Australian imports from United States	473,182	647,970	700,346	733,767	803,159
Australian exports to United States	284,880	255,678	290,768	366,682	370,201
Australian deficit	188,302	392,292	409,578	367,085	432,958

Source: Commonwealth Bureau of Census and Statistics.

The dramatic increase in our adverse balance of trade with the United States in recent years is due in the main to stepped up defence procurement since Australia's involvement with the U.S. in Vietnam. The effect on our bilateral balance of payments has not been so marked due to a substantial increase in capital inflow. However, this is now tending to taper off following the measures which the United States has found it necessary to take in defence of her overall balance of payments position.

Australia subscribes to the multilateral approach to international trade and payments and appreciates that any attempt to achieve a bilateral balance with each trading partner would in itself inhibit trade expansion. This Council also realizes that Australia can expect to run an adverse balance of trade with the United States for many years to come, given the current access to the United States' market. However, it would be difficult for the Australian mining industry to accept a situation in which the adverse balance was artificially increased by unilateral action which reduced its access to a major market for lead and zinc.

EFFECT ON THE WORLD LEAD AND ZINC SITUATION

The United States has historically relied upon overseas suppliers for a substantial proportion of its lead and zinc requirements. In recent years, some 30% of United States' consumption of lead and 40% of zinc have been supplied from overseas sources.

Any administrative measures which diverted some of this tonnage away from the United States could be expected to have an immediate and disproportionate effect on prices outside the U.S. and lead to a chaotic marketing situation, which would have wide repercussions in major producing countries such as Australia, Mexico and Peru. It could also lead to retaliatory quotas in other markets on these or other commodities.

Although the objective of any restrictive measures would be presumably to isolate the United States market and sell the total domestic tonnage, past experience under a quota regime has demonstrated that it is impossible to insulate the U.S. market in this way.

QUOTA RESTRICTIONS DISTORT TRADE PATTERNS

Apart from the effect of artificial barriers to trade on the overall world supply/demand situation and on the level and stability of world prices, quota restrictions inevitably lead to a distortion in the pattern of trade with the country applying the restrictions.

The use of country quotas related to an historical base period tends to "freeze" an existing supply pattern irrespective of changes in competitive ability. Moreover, the selection of a particular base period for the administration of the quota regime can in itself operate to the detriment of certain suppliers. Under a free market system, there is no year, or period of years, which can be regarded as "normal".

In the absence of country quotas, but with a restricted quota access to the market, some suppliers can be squeezed out altogether for non-commercial reasons. In other cases, importers will find no incentive to "take a punt" and try a new source of supply.