
REVIEWS

Trade Policy Reform

Richard Snape, Lisa Gropp and Tas Luttrell, Australian Trade Policy, 1965-1997: A Documentary History, Allen and Unwin, St. Leonards, 1998

Reviewed by Ben Smith

This volume, from the title onwards, is very much a continuation of the work of Crawford (1968) in presenting a history of the development of Australian trade policy through excerpts from official documents and reports, with a sprinkling of non-official contributions. As in Crawford's story, the subject matter is divided by topic rather than time period, with the collection of documents relating to each topic being prefaced by a commentary on their significance in the context of policy development and debate. Richard Snape is ideally suited to the monumental task of succeeding Crawford in this endeavour, having been an active participant in trade policy discussion over the whole of the relevant period and, in recent years, a Commissioner of the Industry/Productivity Commission. The resulting work is an invaluable reference source on the developments in Australian trade and industry policy for more than 30 years up to 1997.

Crawford's history spanned the period 1942-1966, with a postscript on the events of 1967 being added while publication was in process. This was a time of dramatic change in the international economic environment facing Australia. Britain was making renewed, and clearly serious, efforts to join the European Common Market. The Kennedy Round of multilateral trade negotiations, although providing little gain to Australian export interests and involving only the most modest commitments by Australia with respect to its own tariffs, had, *inter alia*, resulted in an erosion of preferential arrangements in Australia's trade with the UK. More or less independently of these events, though, the redirection of Australia's import and export trade towards the Asia-Pacific region was already firmly in progress. The 36 year old fixed exchange rate between the Australian and UK currencies ended when the 1967 devaluation of sterling against major currencies was not matched by a devaluation of the Australian dollar. Alongside the rethinking of Australia's key trading and international relations interests that was taking place, there were emerging domestic pressures for trade policy change in the wake of the report of the Vernon Committee (Vernon et al, 1965). In particular, the role of the tariff in Australia's economic development and the principles that should guide the future determination of tariff policy was becoming a major focus of debate.

Snape et al take up the story from 1965, so the events just described frame the starting point of their history. This charts, among other things, the dramatic

change in attitude towards protectionist policies that has since occurred and that had its beginnings in the post-Vernon tariff debate, the associated reversal of the official view that international trade negotiations are about exchanging 'concessions' and the switch to active promotion of the benefits of liberalisation, the final ending of the preferential bilateral relationship with the UK and the increased focus on an Asia-Pacific regionalism based on non-discriminatory trade liberalisation, together with the experience of the movement from a fixed exchange rate regime to the floating exchange rate that was established in the middle of the period reviewed.

It is a reflection both of the earlier postwar preoccupation with international institution building and of the much greater attention subsequently given to domestic industry policy that, where Crawford devoted four times as much space to multilateral and bilateral issues as to domestic policies, the whole of the first half of this volume is given over to matters of unilateral trade policy. This comprises chapters on industry policy generally, including tariff policy; specific arrangements for particular manufacturing, agricultural, or mining industries; arrangements for the provision of temporary tariff assistance; by-law tariff concessions; export incentives; government procurement and offsets policy; and policies relating to the services industries.

The second section, on bilateral and multilateral commitments and policies, is divided into chapters on multilateral trade negotiations; bilateral and regional arrangements; foreign aid and developing country trade preferences; international commodity agreements; dumping and subsidies; and intellectual property. The concluding section contains a chapter on exchange rate and foreign investment policy, plus one on issues not elsewhere included (for example, quarantine, environment, labour issues).

With this comprehensive coverage, it has been a major achievement to put together the collections of documents that form the main substance of each chapter. In by far the largest part these documents are useful and relevant indicators of contemporary policy directions. They are, however, variable in the extent to which they provide insights into policy thinking and the surrounding debate, so the commentary with which each chapter commences plays a crucial role in developing a coherent picture. Taken together, those commentaries form a masterly survey of trade policy development over the review period, and the volume would be more than worthwhile for them alone. Most readers, indeed, will probably rely heavily on the commentaries for detailed understanding of the issues and will dip into the documents as appropriate.

Perhaps the chapter in which the accompanying commentary is most critical is that on service industries. This is a complex area, involving policies towards such diverse things as tourism and overseas students studying in Australia, banking, the media, and shipping and aviation services, and involves discussion of matters that extend well beyond what traditionally would be thought of as 'trade policy'. The commentary does an excellent job of sorting out the issues and pointing to the major policy changes as they affect trade and foreign competition in the various services, but the documents are more patchy than elsewhere in the

book and the inclusion of some appears less than compelling. In particular, it seems to be drawing a very long bow to think of the terms of reference of the West Committee on Higher Education as a 'trade policy' document.

In other cases, though, the documents provided need very little help in elaborating the nature of the debate. The paramount example is the set of documents that deals with the post-Vernon discussion of the role of the Tariff Board and the principles of tariff fixing that the Board should adopt. These are not just dry statements of policy position but are the cut and thrust of the debate itself. My own favourite is the speech of John McEwen, commenting on the Board's decision to classify industries according to whether they had high, medium, or low levels of protection, with obvious implications as to what consequences an industry's position in this ranking might have for the advice that the Board would tender in any tariff review. McEwen regarded this as stepping beyond the Board's proper responsibility of considering each case on its merits and moving into the realm of judgments about the best pattern of economic development for Australia. If, said McEwen, the government needed advice on these matters, it would want it to come from eminent people in economics or other fields. The government had never thought it appropriate to appoint such people to the Board. It had appointed people of such eminence to the Vernon Committee and, having chosen not to accept the advice of that Committee, it was most unlikely to substitute advice on the same matters from the Tariff Board.

This was a battle in which the Tariff Board and its successors, the Industries Assistance Commission, the Industry Commission, and then the Productivity Commission were ultimately to be victorious and, with some ups and downs, more or less to remain so, as the documents and commentary in the first half of the book reveal. Snape modestly passes up the opportunity to comment on how the eminence of those providing the advice may have changed.

Unfortunately, the story does not end on a victorious note, with the authors pointing to signs evident in 1997 that Australia's march from protectionism might have stalled. The most obvious signs were the government's rejections of the Industry Commission's recommendations for continued phased reductions in tariffs on passenger motor vehicles and on textiles, clothing, and footwear after 2000. A retreat towards the 'concessions' view of trade negotiations and commitments is identified in official statements that further progress in liberalising the trade in these industries, and more general progress towards the APEC commitment to free trade by 2010, will need to be considered in light of other countries' actions in areas of interest to Australia. There is, in this case, no immediate need for a postscript to keep the reader abreast of new developments.

References

Crawford, J. (1968), *Australian Trade Policy, 1942-1966: A Documentary History*, ANU Press, Canberra.

Vernon, J. et al (1965), *Report of the Committee of Economic Enquiry*, 2 vols, Commonwealth of Australia, Canberra.

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