

ON THE DRY SIDE 181 EPAC AND GRUEN ON TRADE John Hyde

A few weeks before Mr Keating's Banana Republic remark, EPAC had linked our relatively poor per capita economic growth to dismal trade performance and that to Australian trade barriers. The argument was conventional and passed without much comment.

Public attitudes to trade barriers have changed since the Liberal Party successfully fought the Bass bi-election on the issue of Whitlam's 25% across-the-board tariff cut.

Then opposition to trade barriers required foresight and courage. When Liberal Party MPs were being urged by their new leader, Mr. Fraser, to fly the flag in Bass, Bert Kelly, author of the Modest Farmer column in each Monday's Australian, said "Malcolm, I'll go, but I think the Party Room should be aware that I'll be on Gough's side." Kelly has done more to slow down the economic rot of Australia than any other political figure.

His case has been won, but as the balance of payments deteriorates further, protectionism might be seen as the way to balance the foreign account as it was between 1929 and 1931. People wanting to feather their own nests at community expense will need intellectual justification for the maintenance of trade barriers.

The protectionists' last bastion is 'fair trading' - the anti-dumping law.

After anti-dumping duties on two important fertilisers had angered farmers last December, Professor Fred Gruen was commissioned by the Government to review the Customs Tariff (anti dumping) Act 1975. Gruen tears away the mask of intellectual respectability from the anti-dumping arguments and states a clear preference with gems like this: "...the going world price...would reduce successful anti-dumping actions to a mere trickle. [That] does not seem consistent with currently expressed government policy, though,...it would be in Australia's long term economic interest."

However his recommendations do not advocate repeal of the act. He was constrained by terms of reference and his report is for politicians. He recommends as much improvement as is politically feasible now, and by discrediting what is bad lays the foundations for further changes which are closer to 'Australia's long term economic interest'.

The report says: "There is a fragile consensus in place favouring lower long term levels of assistance and a rationalised outward looking industry structure. Any suggestion that the Government is resiling from its strongly expressed commitment to an effective speedy anti-dumping/countervailing system could put at risk the acceptance by manufacturers and unions of the process of restructuring."

Australia makes greater use of anti-dumping action than any other country in the world. Last year the 28 nations which were signatories to the GATT code had 560 dumping duties in place. Of these 170 or 30% were Australian. Professor Gruen does say, "Our regular use of the code is perhaps not quite as open to criticism as it seems" - Perhaps not quite!

"Contrary to an often expressed view, Australia is not bound to take anti-dumping or countervailing action by any of its treaty obligations."

He accepts the Department of Trade's concern that "if Australia chooses to have an anti-dumping system which, by international standards, is extremely wide-ranging and appears, from the point of view of our major trading partners to be biased toward the local manufacturer then Australian exporters may experience difficulties when they attempt to enter overseas markets."

More than a quarter of dumping and countervailing duties have been in place more than five years and more than half more than three years. Apparently foreigners sell below cost, subsidising Australian consumers, for periods of five years and more.

To avoid anti-dumping duties overseas suppliers increase prices. The IAC chairman said, "These transfers to overseas producers can be substantial. In its anti-dumping report on Polyvinyl Chloride Homopolymer the commission estimated that anti dumping action had resulted in a loss to Australia of over \$1 million."

The EPAC paper is just as critical of anti dumping actions: "No account is taken of the injury or indirect cost which is imposed on the community as a whole because of anti-dumping actions. This is a weakness not only of the Australian legislation but of the general concept of unfair trading."

Professor Gruen: "Selling below full cost is not regarded as an unfair trading practice within Australia. It smacks of double standards to label it as unfair only when the behaviour is that of foreigners."

Section 5(9) of the Act allows the comptroller of customs to determine dumping by reference to cost of production. Professor Gruen's most important recommendation is for its repeal and instruction to the administering department to assess dumping, whenever possible by reference to a market determined price. Usually this would be the price in the country of manufacture. This would be approximately the same rules for importers as domestic fair trading legislation applies to manufacturers.

Other important recommendations are that only "material" injury with a "causal link" to the dumped import should trigger anti-dumping action and no anti-dumping action should stay in place beyond two years without reference to the IAC.

Manufacturers who connive with civil servants to use anti-dumping

duties which are not in Australia's long term economic interest, which destroy small importers and injure consumers, contribute to our decline toward a Banana Republic but they are probably no more selfish than the rest of us. However, those who do those things and also moralise about trade union behaviour are a bit on the nose. Their behaviour is too similar in effect.

Professor Gruen has made certain that they, unlike some semi-literate blue collar unionists, do not have a credible plea of ignorance of the harm they do.