

Memorial lectures serve two useful purposes, apart from reminding posterity of the good name of the deceased. They enable new ideas to be generated and old ones, which should have run their time, to be given a lethal dose of fact or logic. Remembering Professor Giblin, Professor Snape dealt what ought to be a death blow to that oft mouthed assertion that "Australia is a great trading nation". However, in this case I suspect that the knowledge that it is false will be insufficient to prevent repetition. It is too good a platitude, that fits too conveniently into politicians' and businessmen's speeches, to be set aside merely because it is wrong.

Small economies, like those tiny states on South Pacific islands or sheikdoms produce only a small variety of goods; copra and sugar or oil and dates. They do these few things well, sell what they produce and use the foreign exchange thus generated to buy their other needs. Trade is very large relative to their diminutive gross products.

Large economies like the USA and the EEC have many more people to generate specialist skills and have a wider variety of natural advantages within their borders. Citizens of large economies can specialise and trade with each other, whereas small economies must trade with foreigners. Since large economies will with the same degree of specialisation produce more of the goods and services they wish to consume, and consume more of the goods and services they produce, trade is small relative to their large gross products.

The principle involved is made obvious by reference to the extreme case, but not so obvious as to prevent ministers of the crown and others who really ought to be better advised from comparing Australia's trade with the EEC and the USA. Any useful comparison can only be made with fourteen million people within the huge economies.

Professor Snape refers us to a coming book by two other economists, Ross Garnaut and <sup>Kym</sup>~~Kim~~ Anderson, Australian Protection and Trade with Developing Countries. Mr. Garnaut is now on Mr. Hawke's staff; I hope his presence there will mean that we get a little more sense on this point and trade statistics generally than we have come to expect from Prime Ministers.

Garnaut and Anderson ranked several developed countries according to the size of their Gross Domestic Products, and compared the sum of each country's imports plus exports with their respective GDPs. Not surprisingly big economies have a small percentage of trade, and vice versa.

Australian trade was thirty percent of GDP in the 1970s. This is significantly less than one would expect of an economy of Australia's relatively small size. One hundred years ago the reverse applied - Australia then was 'a great trading nation'. Even more disturbing is the information that Australian trade has been getting less over the last thirty years, at a time when world trade has been increasing and most developed countries' exports-plus-imports percentage of their GDPs has been increasing. France, West Germany and Italy, all considerably bigger economies than Australia, in the 1950s had, as we would expect, lower ratios than Australia. By the 1970s we had slipped behind them. In fact, of the sixteen nations Garnaut and Anderson compare, only the very big U.S.A. and Japan now have lower ratios than ours. It is not surprising in the light of this data that our economic growth and our per capita incomes have also slipped back relative to other countries.

Professor Snape says: " The movement of the Australian ratio against the trend is no doubt attributable in part to the maintenance and increase in the barriers facing Australia's agricultural exports; it is also attributable to the virtual refusal, apart from the lifting of import quotas in 1960 and the 25 percent tariff cut in 1973, of Australia to join in the substantial reduction in the barriers to trade in most industrial products undertaken by other developed countries. Australia's relatively high tariff barriers are supplemented in the most sensitive areas by non-tariff impediments."

It is one thing to conduct an honest defence of trade barriers. It is quite another for politicians and some businessmen to pretend that the facts are other than they are. As the evidence of the harm that trade barriers do to standards of living, employment opportunities, and international peace has been gathered over the past thirty five years, it has become increasingly difficult to mount an honest defence of trade barriers. It has become almost de rigeur that

travelling Prime Ministers, Foreign Ministers, and Trade Ministers deplore impediments to world trade. They are particularly emphatic about the injustice done to developing nations. As a result, while they are overseas, they do talk quite a lot of sense.

Both at home and overseas they are having increasing difficulty reconciling their virtual refusal to reduce trade barriers, with their own rhetoric. Increasingly reconciliation is attempted by manipulation of the data on Australian trade. Bert Kelly actually caught a minister quoting selectively from a table, but mostly the impression that Australia's record is better than in fact it is, is more subtly conveyed.

Meaningless comparisons are made, like the percentage of foreign goods that enter Australia duty free. Obviously if the trade barriers confronting all the prescribed goods are high enough to stop them being imported, then one hundred percent of the remaining imports will be duty free. The high proportion of imports that enter over low barriers merely reflects the ability of high barriers to keep other goods out. In particular Textiles, Clothing, Footwear and Motor Cars face very high trade barriers. A high proportion of a total trade which is in turn a low proportion of the economy enters without significant government interference. So what !

The conclusion that the last government substantially went along with IAC recommendations, drawn from the fact that it more or less accepted more than half of them, is false. This ignores the fact that IAC recommendations were substantially ignored on all the really important occasions - Textiles Clothing and Footwear, Motor Cars and the General Reference. The Textiles Clothing and Footwear and Motors references concerned nearly half of all the measured consumer subsidy provided to protected industry.

Claims that Australia did not much rely on non tariff barriers if T.C.F. and Motors are set aside, in view of the pre-eminent role of these industries in Australian protection, are pure sophistry.

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The favourite deception was to compare Australia's percentage of traded goods with that of the EEC- which is a conglomerate of nations, most of which individually are bigger than Australia. I hope Snape, Garnaut and Anderson have nailed that piece of nonsense. Australia is no longer a great trading nation even though,

given our comparative advantage in the production of several minerals and agricultural products, we ought to be.