

The many ways Australia isn't as pro-trade as we claim

Written by Gabriele Gratton, Senior Lecturer in Economics, UNSW

Chinese President Xi Jinping's speech at the annual Boao Forum this week caused sighs of relief after a month of mounting threats of tariff escalations between China and the US. Instead, Xi pledged a ["new phase of opening up"](#), including cutting tariffs on car imports.

Read more: [Trump's \\$60 billion in China tariffs will create more problems than they solve](#)

US President Donald Trump's vision of the global economy as a zero-sum game is at odds with Australia's experience: the mining and education booms that benefited millions of Australians were fuelled by the Chinese economic miracle of the last three decades.

History too is on the pro-trade side: when trade wars waged on both coasts of the Atlantic in the 1930s, claims of unfair competition became nationalist rhetoric, tariffs became guns, and the economic tragedy of a trade war turned into the real immense tragedy of the second world war.

With such powerful images in mind, we are rightly proud to [defend the merits of a well-regulated free-trade world](#). But perhaps we may be too generous with ourselves. As it turns out, Australia is not innocent when it comes to anti-trade sentiments.

On July 1, 2018, the Australian government will extend GST to low value direct imports of physical goods. The mode of collection, designed to limit enforcement costs, relies on the voluntary participation of foreign retailers, with Treasury (perhaps optimistically) [estimating](#) compliance rates as low as 50%.

But border controls on parcels will remain a heavy burden on the budget. To cover the losses, the government is likely to impose a A\$5-to-A\$10 per-parcel levy on international retailers, in addition to GST. This is a new barrier to trade.

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Many more barriers go unnoticed. Of course, the fragile and unique ecosystem of the continent needs to be protected, so we naturally impose some barriers to the importation of biologically sensitive material. The immediate economic costs for Australian consumers are large, albeit difficult to estimate precisely, but probably necessary to protect our environment from bio-threats to seeds, meat – and books.

Yes: books. Thanks to restrictions on the parallel importation of books, Australian publishers (including local representatives of multinational publishers) sell books written, published, and printed outside Australia, at much higher prices ([in many cases, more than 50%](#)) than what is charged for essentially identical goods just outside our customs.

Read more: [***Australia should steer clear of the sanction fight between the US and China***](#)

In 2009, the [Productivity Commission concluded](#) that this policy is a net transfer from Australian consumers to publishers and authors around the world. The Commission forgot to add that books feed knowledge, and a knowledge economy is critical to the future of our children. That is, if more expensive food damages consumers now, more expensive books damage the present as well as the future of the country. Despite the report, the policy stands. As a nation we chose to protect our publishers instead of our children's future.

Our recent pro-trade score is [not much better](#) .

In 2016, the Anti-Dumping Commission found canned tomatoes exporters La Doria and Feger guilty of dumping – that is, selling products for less than they sell for in their own country. The government responded by imposing dumping duties up to 8.4% on all Italian tomatoes. Such anti-dumping retaliations are perfectly legal within the WTO framework, but often cover protectionist policies.

[According to a 2017 WTO report](#) , Australia was responsible for almost a third of all such

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retaliations among the G20 countries in 2016, second only to the US. Not bad for a nation that sees itself at the forefront of the fight for free trade.

To be fair, Australia has contributed to world peace with many unilateral free-trade decisions in the past. Car import tariffs are now a small fraction of what they were 30 years ago and may well be scrapped completely this year. But if we want to contribute to maintain this peace in the future, we may need more than the pride of feeling on the right side of history.

The government should stop flirting with Trump's new anti-trade wave, and not be content with being excluded from Trump's steel and aluminium tariffs. As a pro-trade nation, Australia should speak loud and clear.

Gabriele Gratton has received funding from the Australian Research Council.

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