

Don't kill exports

Alan Oxley | *June 09, 2009*

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THE better than expected recent economic performance is significantly attributable to our strong export performance. Yet pressure is growing to restrict trade.

Unions want uncompetitive manufacturers protected with import barriers and preference in procurement for Australian producers. Greens want to restrict trade to force environmental policies in forestry and climate change on regional neighbours. Nationalists want to restrict Chinese investment in resources export industries.

Australia's recent prosperity rested on historic improvements in trade. After Labor swept away protectionism and regulation in the 1980s and 90s, investment in competitive export industries increased and trade expanded. In the past five years, exports made an historic contribution to Australia's growth, with export prices rising faster than import prices for the first time in 60 years.

These same strong exports delayed the advent of a technical recession.

But falls in the prices of minerals, particularly coal, will soon pull down the value of exports and profits. This will remind us, as we plot our exit path from the recession, of the importance of keeping our export industries competitive and capable of continuing to contribute to growth.

We need to be scrupulous to keep down domestic costs: wages and regulatory charges in particular. That includes, most importantly, keeping imports cheap by not raising trade barriers. Protectionism is something only the rich can afford, and even then only for a while. Yet there are environmental groups and those on the Left who continue to behave as if the party continues, and who want to play around with trade as if there is money to burn.

Greenpeace and WWF, continuing to behave as if the poor do not exist, are pressuring the Labor government to restrict timber and paper imports from Indonesia, Papua New Guinea and the Solomon Islands on the grounds some forestry is illegal. All that will do is force up the price of tissue and timber products for Australian consumers, reduce jobs for the poor in the region and discourage our paper manufacturers from making their industry competitive.

This is just the wrong thing to do in a global recession, as Kevin Rudd recognised when he signed up to the declaration by G20 leaders early in the year not to raise trade barriers.

The amount of illegality in forestry is small. Trade bans are a bullyboy means of tackling the problem.

These environmental lobbyists also want trade barriers to keep at bay imports from countries that will not impose the costly charges they insist are necessary to reduce greenhouse gases in Australia. It happens that these imports also come from countries with high rates of poverty. The Greens not only pretend that we can afford these charges, but that miraculously, new

jobs in new renewable industries will sprout up in rich and poor countries. Unfortunately, Green wishes and prayers will not rebuild our economy, or reduce poverty.

The right approach to our neighbours is to provide aid to solve the problem of illegal logging and support national measures to tackle climate change. And be busy like Simon Crean, who is encouraging those same neighbours to reduce their own trade barriers.

Rudd will have to deal with these issues at the coming ALP national conference, where these green arguments will be put. As well, there will be pressure from the Left and some unions to mandate that governments, to preserve jobs, should only buy Australian. This has the same effect as a trade barrier. It does not build a platform for buoyant export. It delays recovery.

Nearly two decades of continuous prosperity have led us to take economic growth for granted. The idea we can play green politics with trade has crept into the Labor Party platform, as has the anti-poverty value that we can play green trade politics with our poor neighbours.

Countries forget their history at their peril. The same goes for political parties. It was the Labor governments of Hawke and Keating who swept protectionism away, laying the foundation for strong trade performance and economic growth.

The choice is before the Rudd government. It can be remembered for doing the same, or for forgetting the past. It is now time for the Labor Party to act like a party in power with a mandate to rebuild the competitive base which will deliver Australia prosperity, and cease acting like a political party which in opposition felt obliged to concede that there was room for anti-growth policies.

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