



ONE MORE NAIL

Chapter One

Writing on the Wall

It is almost as though Australia has a death wish. Here we live, a mere family of 14,000,000 people in a neighbourhood of Asian countries housing not less than 2,250,000,000 people, more than half of the entire world's population.

What have we done to the neighbourhood? We have built a wall around our Australian home so high that most of our Asian neighbours think we are a world apart. Indeed we are, because that wall — invisible as it is — is very real in economic terms as it represents the high tariff barriers we thrust into the faces of those 2,250,000,000 people we supposedly call our friends.

Just how long can Australia continue to use its tariff wall and quota system for many of its secondary industries to hide behind, feather bedded for life?

How long can we flaunt our pompous thoughts of superiority and continue to live happily alongside our neighbours. The time is rapidly running out; the writing is on the wall.

The tariff wall was originally erected to encourage the establishment of secondary industries in Australia, but is now a wall that limits the expansion of our economy by encouraging us to establish, or continue, industries for which we have no natural advantages, so that we use our limited resources in unwise ways. You can, with the expenditure of immense effort, grow bananas in the South Pole, but it is clearly a silly way to behave.

The ordinary citizen is usually interested when he is told that expansion of the economy is being limited by the TARIFF WALL. "You may well be right," he will say, "but the economy doesn't really mean much to me. It's keeping one jump ahead of the finance companies that is my main concern." If he says this, take him firmly by the ear and give him these figures on bed sheets, on which the tariff is 41%, compared to the same sheets if they were duty free.

One pair of sheets	\$10.00
Tariff Item 62.02.110 41%	\$4.10
Freight charges etc	\$1.00
	= \$15.10
Add Wholesalers Margin 25%	\$18.875
Add Retailers Margin 70%	\$32.075
One pair duty free sheets	\$10.00
Freight charges etc	\$1.00
	= \$11.00
Add Wholesalers Margin 25%	\$13.75
Add Retailers Margin 70%	\$23.375

So the \$4.10 duty has increased to \$8.71, but in actual fact, because sheets are subject to quota, they would be sold just below the Australian manufactured price of say \$40.00 plus. In other

words, you are paying nearly twice as much as you should if they were available on an open market.

Or you could give him the figures on motor cars, which are even worse and which are set out below:

DETAILS OF AVERAGE IMPORTED CAR

Invoice cost \$2200.00 | \$2200.00

Duty \$ 990.00 | _____

Sales Tax \$1053.00 | \$ 726.00

Freight etc \$1200.00 | \$1200.00

Dealer \$ 750.00 | \$ 750.00

= \$6193.00 | \$4876.00

(Pre-1978 Budget Prices)

If there was no duty, the same car would be retailed at least \$1317.00 less. By this time the ordinary citizen will admit the tariff wall is not just a picturesque way of describing a faraway fact of economic life, but it is also affecting him personally every time he goes to bed, or for a drive in his car. Besides limiting the expansion of the economy, it is also making it more costly for him to live. But then he must be told that there is a much more serious effect even than this, and that is, the effect of the wall on the prospects for peace. We know from bitter experience that trade wars are always likely to be fought over tariff walls and that these almost always lead to real wars. And we know that Australia is doing far more than we should be to make the position worse. It is true that our Prime Minister castigates the E.E.C. for erecting high barriers against our exports when he goes to Europe, but when he comes home he busily sets to work to keep out the good of our trading partners in Asia.

The world's leaders are right when they point to the rising tide of protectionism that threatens to overwhelm us all, but still the barriers grow even higher. We are becoming obsessed with the same kind of bastard nationalism that, in the 1930's, made the second world war inevitable. But even while that war was being fought, stern resolutions were made that the world would not go down that tragic road again. When the war ended, we were ready with the Marshall Plan and Bretton Woods Agreement, so that trade wars would not quickly start, to be followed by real wars. And up to now we have stuck to these principles in general terms though there have been many falls from grace. But now, with the first onset of a comparatively mild world recession, all the lessons of the past seem to have been forgotten and we seem to be slipping back to the 1930's position and are wandering down the same tragic path.

There is a more serious threat hidden away in today's protectionism than ever there was in the protectionism of the 1930's.

Then the U.S.A. and Europe placed prohibitive tariff barriers against Japanese goods, and this was the beginning of World War II as far as Japan was concerned. Being a country that imports raw materials she has to export to survive, hence her invasion of China to secure a market for her goods which had been denied her by the rest of the World. Finally in 1941 the U.S.A. gave Japan an ultimatum to get out of China, froze her assets in U.S.A. and cut off her oil supplies. The result: Pearl Harbour! Germany too behaved as she did because she felt economically stifled. But now an even bigger threat looms. The gap between the living standards of the developed and underdeveloped countries continues to widen, and into the gap civilisation as we know it one day will tumble. It may be that affluence will destroy the rich countries, and it is worth remembering that no civilisation has yet been able to withstand for long being affluent. Or it may be that comparative poverty of the poor countries will so inflame them that they will

fight like fiends to get what they regard as their fair share. No one knows how or when it will happen, but all the lessons of the past point to the fact that somehow, sometime, the developed and underdeveloped countries will move closer to equilibrium. This is much more likely to be done peaceably if we trade freely with them.

There are some who think that we can salve our consciences, and solve our neighbours' problems, by giving them aid rather than trading with them. But the chapter on Nepal in this book tells of the difference between meaning well and doing well on the international aid front. I grant that we are better at it than we were in 1961 when the chapter was written, but helping wisely is still incredibly difficult. Trade is always more effective and more important than aid, both to the giver and the receiver. Yet it is against our Asian neighbours that our highest trade barriers are erected.

If we refuse to buy from our neighbours we clearly hurt them, but we also hurt ourselves. There is only one way of being paid for exports and that is by receiving imports in return. So every time we make it harder for imports to come in, we automatically make it harder for our exports to go out. Trade is Australia's lifeblood, and if we restrict the blood flow we hurt ourselves as well as our neighbours.

The tariff wall, then, is not only an object of concern to economists but indeed it affects every citizen in the most intimate and serious way. Most of my time in Federal Parliament was spent trying to understand the damage that the wall was doing to us, then trying to get others to see the urgency of lowering the wall before it does us any more damage. I am not now in Parliament, but for me the battle still goes on. I have too many grandchildren to give up now.