

4. Trade and Investment Policy

The characteristics of the Australian economy have to a large extent dictated the main features of trade policy. On one hand, Australia's objective in the post-war period was to encourage the growth of domestic industry, accelerate economic development and provide employment for an expanding urban population. Australia has supported high levels of protection and it was only within the last decade that tariff levels were reduced in recognition of the fact that protection was contributing to an inefficient and fragmented industrial structure and that exposure to international competition was necessary to remedy the problem. On the other hand, as Australia's export income has been traditionally generated by primary products, a general trade policy on exports comes rather close to being commodity policy, its main objectives being access to overseas markets and price stability. As a consequence of these objectives, Australia has been active in international organizations and multilateral forums concerned with general trade and commodity issues. Australia is a signatory to GATT, a member of the OECD, and either a party to, or an important participant in, commodity agreements concerning wheat, sugar, tin, cocoa, rubber, and bauxite.

As a primary producer, Australia has experienced a certain frustration with multilateral trade talks and is increasingly focusing on bilateral negotiations. There is a general disillusionment with GATT's inability to implement and enforce tariff reductions in the agricultural sphere and from its rather less stringent rules on agricultural quantitative restrictions and export subsidies. Indeed, the Crawford Report on industrial adjustment raises the possibility that Australia might eventually forsake the Most Favored Nation principle in favor of special bilateral arrangements. Australia's interest in bilateral arrangements is reflected in the number of trade agreements it has signed with individual countries. Among industrialized countries, Australia has signed a free trade agreement with New Zealand, a preferential agreement with Canada, and a commercial agreement with Japan. Eight other agreements are with the U.S.S.R. and the centrally planned economies of Eastern Europe, and 10 are with developing countries. With the exception of the free trade agreement with New Zealand, the Australian Trade and Commerce Relations Agreement with Papua New Guinea and the arrangements with Canada and Malaysia, the bilateral agreements provide for reciprocal MFN treatment and consultative procedures. They also express support for commodity agreements and improved conditions of trade in primary products.

The main instruments of Australia's trade policy are tariffs, quantitative import restrictions, non-tariff barriers, export controls, export incentives and, to a limited extent, foreign