

# Abbott Breaks a Basic Rule of Diplomacy

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Tony Abbott announced that we were 'open for business' on 7 September 2013. What does that say about international trade deals negotiated under the previous government, asks Ian McAuley.

Last month Deputy Prime Minister Warren Truss opened a 40 km stretch of freeway bypassing a number of towns in the lower Hunter Valley. His press release was straightforward, probably exactly as drafted by public servants in the Department of Infrastructure and Transport.

Even if he had been inclined to make a partisan point and claim credit for the project, it was obvious that the freeway hadn't been planned and built in the six months since the Coalition's election last September. In fact it has been under construction since 2009.

No such modesty or adherence to protocol constrained Tony Abbott when he claimed political credit for trade agreements with Japan and South Korea.

In reality, the role of Abbott and his ministers in these trade agreements is not much more significant than Warren Truss's part in opening the Hunter Expressway. One had to cut a ribbon, the other to sign his name — not particularly onerous tasks.

In the case of the South Korean agreement, the deal was finalised last December, and was simply awaiting ratification. Only the Japanese deal has had the time for any serious input from this Government.

As anyone who has worked with trade policy can testify, the process of negotiating a trade agreement makes planning for a freeway look simple. The technical processes of weighing up potential gains and losses and negotiating specific proposals would have been going on for many years in official-to-official negotiations, probably starting some time during the Howard era and continued with no less vigour by the Rudd and Gillard Governments.

Even more important is the long-term history of trade relations upon which these agreements are built. In the case of Japan, strong trade relations between our countries have been developing since 1957 when Prime Minister Menzies visited Tokyo and signed a commerce agreement with Japan — a politically brave move just 12 years after the Pacific War.

A basic rule of well-functioning organisations — families, companies, nations — is that unity is displayed to the outside world. In diplomacy, unless there is some fundamental break, such as when South Africa abandoned apartheid or when the Soviet Union collapsed, policy continuity is important. That does not mean governments cannot move from their predecessors' policies, but they must do so subtly, generally using frames such as "changed circumstances".

So to broadcast to the world, as this government does, that Australia has been "open for business" from 7 September 2013, is to suggest to the world that our trade and investment policies are subject to wild swings. In other words, Australia is an unreliable trade and investment partner. Was the country closed and hostile to business prior to last year's election?

The "open for business" claim is as dishonest as it is stupid. If we listen to the blabber of Coalition politicians we may believe that in economic openness we have ranked down somewhere near Bolivia or Iran, but in fact Australia is one of the world's most open economies. The conservative Heritage Foundation each year publishes for 178 countries its index of economic freedom.

Unsurprisingly, North Korea is at the bottom. Top ranking goes to Hong Kong, then Singapore, and Australia comes in at third spot, a long way ahead of the USA (12) and the UK (14). Both main parties are committed to economic openness.

Of course, bipartisanship does not indicate good policy. It could also be said that both Labor and the Coalition are too enthusiastic about bilateral trade agreements.

There was a time when parties on the left, particularly from relatively small countries, eschewed bilateral deals in favour of multilateral agreements in forums such as GATT and later the WTO. A preference for multilateralism is based on three ideas: that bilateral deals generally involve power asymmetry; that multilateralism offers some assurance that trading blocs won't close their borders to smaller or regionally

disconnected nations; and that bilateral deals are often about token liberalisation on a narrow range of products.

Part of the game in bilateral deals is for negotiators to offer tariff reductions on goods that never get traded (we can offer the Japanese duty-free entry of crocodile-skin baggage and they can offer us duty-free entry of orthotic snowshoes). Lots of bureaucrats in Canberra are employed in this meaningless task, just so politicians can sign-off on a list of trade concessions.

Understandably, economists have generally pointed out that Australia does far better out of general reductions in trade barriers than it does with bilateral deals. But for insecure politicians who like to be seen strutting the stage in one-on-one negotiations with world leaders, they just don't offer the same pizzazz.

It's hard to see any significant benefit from the trade agreement with Japan. An 18 year timetable for reduction in beef tariffs — from 38 per cent to 20 percent — is hardly raising excitement among Australian beef producers. In any event, the Japanese Government has not ruled out compensatory financial assistance to its beef industry or even imposing quotas.

On the import side, abolition of the 5 per cent tariff on Japanese cars sounds attractive. But how many Toyotas and Nissans are actually made in Japan? For many years the Japanese have been shifting manufacture of their lower-priced cars offshore to countries with lower labour costs — Thailand, Indonesia and even India.

For both Japan and Australia the agreement is about impression management. The main issue, missed by the mainstream press, is that the Japanese currency has gone through a significant depreciation over the last two years — from around 75 Yen to the Australian Dollar in 2012 to 95 Yen at present, and an even greater depreciation against the US Dollar.

For the Japanese consumer, that means rising import prices, on top of a recently-announced rise in the rate of consumption tax. It's a fine-sounding announcement politically, but not much joy for Tokyo shoppers or Darling Downs farmers. At least one Government MP has broken ranks and pointed out the narrowness of the deal.

On display in this, and in other international forums, has been Abbott's lack of graciousness for what he has inherited from the previous government. For four years, since Abbott disposed Turnbull, we have had a stream of rudeness and loutish invective from Abbott and his close supporters in the Liberal Party. It would come at no cost for the Coalition frontbench and others to display some decency and good manners by acknowledging the contributions of those who have gone before them.

At the very least they could simply treat signing trade deals with the same neutrality as Truss did when opening a freeway that came to be completed on his watch. Indeed, an outbreak of good manners may even improve the Liberal Party's miserable political standing.