



# Opening Australia to the World: Celebrating 50 editions of the Trade and Assistance Review

## Transcript

**Bill Scales:** Without the TAR, Australia without any doubt will be poorer.

**Peter Harris:** Without the TAR, we'd all be more ignorant of the costs of intervention.

**Michael Brennan:** I think if we didn't have the Trade and Assistance Review, I think the debate would be less well informed. Would it have changed the course of history? I think that's possible.

**Danielle Wood:** Without the TAR, I think Australians would have lower living standards than they do today. The liberalisation of trade, Australia's participation in open global markets has been a key underpinning of our prosperity over decades.

**Narrator:** In 2024, the Trade and Assistance Review turns 50. For decades, the TAR has helped Australia to open its economy to the world.

To understand what the TAR is and why it's had such an impact. We spoke to some of the leaders of the organisation behind it.

**Bill Scales:** My name is Bill Scales, and I was chair of the Industry Commission from 1992 to 1998.

**Peter Harris:** I'm Peter Harris. I was chair of the Productivity Commission from 2013 to 2018.

**Michael Brennan:** I'm Michael Brennan, I was the chair of the Productivity Commission between 2018 and 2023.

**Danielle Wood:** Hi, I'm Danielle Wood, Chair of the Productivity Commission. Been in the role since November 2023.

**Narrator:** So what was the Australian economy like when the TAR was created?

**Bill Scales:** Well, in the 1970s, it was a closed economy, effectively.

**Michael Brennan:** It was an economy that had a lot more regulation. It had and it was an economy that had a lot more explicit government involvement.

**Peter Harris:** It had a fixed exchange rate. We had limited access to capital markets for people in this country.

**Danielle Wood:** We were a much more industrial economy than we are now.



**Michael Brennan:** We had government owned banks and airlines and, all manner of things, and we had pretty high tariff protection.

**Peter Harris:** I think large employers and unions for that matter, were a collective in believing that government had a responsibility to continue to protect them from shifts in technology and shifts in demand that might occur as a result of global trends or indeed as a result of, you know, changes in the business cycle in Australia.

**Michael Brennan:** And I think that was kind of accepted as the way, you ran an economy and, every industry needed its bit of protection, its bit of assistance. That's just kind of how you ensured the general prosperity.

**Bill Scales:** It was also going through a period where we've been through two world wars. It had been through a depression. It had a been through currency crises, and it wasn't an easy time for Australia.

And in many ways, the easiest thing for Australian politicians to do to try and create the employment which was necessary at that time was to put high levels of tariffs.

**Peter Harris:** Those businesses that weren't being protected were suffering as a consequence of the businesses that were being protected.

**Narrator:** The Australia of today is a very different place.

**Bill Scales:** So Australia has changed dramatically since those times.

**Danielle Wood:** And you look at where the jobs are, overwhelmingly, it's the services economy that employs Australians.

**Peter Harris:** Really big exporters in Australia, mining industry, obviously, but then a set of services industries in international students and international tourism, we have decent amounts of export in other services, legal services, accountancy services, that kind of thing, particularly within the region.

**Bill Scales:** Although it's much maligned, manufacturing still plays an important role in this country because its productivity has improved, its employment is less.

**Peter Harris:** Data shows we had an ever increasing level of, both income and wealth from our economy being more liberal and being able to employ more people than it previously could and enable us to respond readily to global shocks.

**Narrator:** The shift in Australia's economy across five decades has several causes.



**Danielle Wood:** First of all, as we got new technologies and became more capital intensive, what we saw is, you know, jobs in areas like agriculture and manufacturing moved away and people moved into services sectors jobs.

**Michael Brennan:** I think there were some pretty strong advocates for a view that we needed to reduce trade barriers, be more outward looking, be more open to international competition.

But there was also a significant role for the evidence base, the improvement in just putting facts on the table.

**Danielle Wood:** That process of putting them on the record, shining light on them, is really important for creating accountability where the government is offering this type of assistance.

**Narrator:** The Trade and Assistance Review helped to drive reform. But just what is the TAR?

**Danielle Wood:** I would describe the Trade and Assistance Review or as we like to call it, the TAR as a list of the various industry supports.

**Michael Brennan:** It is there to document the level of assistance that different sectors receive as a result of government policy.

**Danielle Wood:** It chronicles, you know, across tax concessions, government spending, subsidies, the different ways in which governments provide supports to particular businesses or industries.

**Peter Harris:** I think one of the most valuable things that TAR does, is it provides numbers in an area where assertion dominates, and naturally dominates.

**Bill Scales:** It's important because it's a contemporary document. It's able to be reviewed every year. It's published every year. So it gives us an understanding of the nature change over time.

**Danielle Wood:** We know that industry assistance can pop up for all sorts of reasons and businesses are very good at turning up to governments and asking for forms of assistance.

But regularly going back and thinking, you know, does this make economic sense? Am I getting bang for buck? Is a really important exercise in making sure that we are making the best use of taxpayers money.

**Narrator:** For decades, the Tariff Board had advised the government on tariffs for particular industries. But during the coalition governments in the 1960s, arguments over tariffs were running hot.



**Michael Brennan:** Alf Rattigan as the Chair of the then Tariff Board, and then IAC, played a particularly pivotal role. He had poor relationship with the then Deputy Prime Minister Blackjack McEwen, who was a great advocate of agricultural protection in particular, protection all round.

Alf Rattigan really was at the vanguard of identifying the costs associated with that.

**Narrator:** In 1974, the Industries Assistance Commission replaced the Tariff Board. The Trade and Assistance Review started its life as part of the inaugural Annual Report of the IAC.

**Bill Scales:** The Whitlam government wanted the Tariff Board to actually take a much broader view of the reforming role that Australia need to play to place itself in a contemporary environment.

So it was asking the, what was a newly formed body, made out of the Tariff Board to actually look more broadly at the Australian economy and provide advice to government about the way by which the Australian economy more broadly, can become more competitive.

**Danielle Wood:** I think the journey that we went on, you know, through the 80s and 90s was a recognition, actually, that consumers were losers from tariffs. And if we were opening up there would be there would be benefits for Australian consumers.

But actually also having, you know, businesses that could compete, in the international arena was going to drive the kind of efficient businesses that actually benefit the country as a whole.

**Narrator:** Max Corden was a trade economist from Melbourne whose book *Trade Policy and Economic Welfare* articulated the costs of Australia's trade protectionism for consumers, businesses and the economy.

**Michael Brennan:** Max Corden was particularly important in identifying how you could calculate effective rates of assistance, effective rates of protection, and thereby, you know, think about the costs overall.

**Bill Scales:** The effective right of protection was the political and economic underpinnings of the reforms of the 80s and 90s.

It basically argues that the assistance provided to an industry is determined not only by the rate of tariffs that apply to that industry, but also that the tariffs that apply to all inputs to that industry.

**Michael Brennan:** The effective rates of assistance were pretty high. So the automotive tariff was, you know, getting close to 100% in effective terms. There were very high rates of tariff protection in areas like textile, clothing and footwear.

**Bill Scales:** Bob Hawke was clearly important. Bob Hawke, people often forget, was an important part of the intellectual underpinnings of the reform process of the 80s. But that began for him in the late 1960s and early 1970s.



And, of course, during the 1980s, he was supported so ably by people like John Button, as it turned out, people like, of course, Paul Keating.

Bert Kelly, he was somebody on the political side who was able to reach across the aisle to those people who were wanting to actually bring about reform and was also an important voice for reform within the coalition parties during the 1970s and early 1980s.

The 1980s was a period of great political reform, partly as a result of the outstanding capabilities of the politicians of the time who saw that Australia needed to take its place in the world and it could no longer live behind high tariff walls.

**Narrator:** Over decades, the assistance to Australian industry trended downward, but not at the same speed. Assistance to the textile, clothing and footwear industry, as well as the automotive industry fell more slowly than other sectors.

Even as tariffs fell, trade matters continue to have an enduring impact on Australia.

**Peter Harris:** In my time as Chair, we did see the rise of populism and its expression in increased attempts to protect economies, from competition globally. I think the PC helped politicians come to terms with the fact that engaging with protectionist sentiment was quite risky for Australia.

**Narrator:** Since 2000, Australia has entered 17 trade agreements. While this has reduced some trade barriers, it is also created a so-called noodle bowl of complexity. It was an issue the Productivity Commission investigated in 2010.

**Danielle Wood:** Nuisance tariffs are something that the Commission has been talking about for a while through the TAR and through other reports.

**Michael Brennan:** Nuisance tariffs are those tariffs that have fallen to very low levels and such that the particularly by virtue of a number of the preferential trade agreements that we have with other economies, have now raised so little revenue relative to the compliance cost of dealing with both paying the tariff but also claiming exemptions under various arrangements that we have.

**Danielle Wood:** So we've been shining a light on this issue. We were really delighted when the government announced that it was actually abolishing a whole range of these tariffs from the 1st of July this year.

**Narrator:** As the TAR turns 50, it continues to put a spotlight on the impact of industry assistance.

**Danielle Wood:** What we've seen is a rise in what we call behind the border measures. So this is things like subsidies to industry, tax concessions, local content rules. You know, there is any number of different ways that these kind of measures can proliferate.



**Michael Brennan:** If you can identify, what the barrier actually is, what the rules actually are, everybody can see it and you can weigh up the cost and benefits. That's a good thing. And that's, that's a problem with some of the behind the border stuff, because it's a little more opaque.

**Peter Harris:** Today we're looking at providing assistance in the transition towards a low carbon economy. Now that's quite a reasonable thing to do because we don't have a pricing system in this economy which reflects the cost of carbon.

Assistance is always going to be provided. It's just it should be provided. On the basis of common understandings about how much it costs, both in dollar sense, but also in terms of the skewing of resource allocation away from other parties that could otherwise have used that assistance better.

**Danielle Wood:** Look, I think we are in an era where industry assistance is, you know, back in fashion in, in a big way, and that that's a global trend and that's responding to, you know, concerns about climate change and, and trying to get industries ready for the green economy.

It's also responding to changes or concerns about supply chain resilience and security. And you know, we are not immune to that. We've got a 23 billion, Future Made in Australia program, which is picking up on those themes.

What I think is, is really important in those debates that we continue to go back to the need for rigorous decision making, the need for guard rails around these types of policies, constantly thinking about value for money.

And, you know, that kind of exercise in shining a light on what governments are doing is something that the TAR has been doing for 50 years.

**Narrator:** The Productivity Commission continues to produce the TAR each year. To find out more visit [pc.gov.au](http://pc.gov.au)