

# The Politics of Protection

## Public Opinion Can Favour Liberalising Trade

Protectionist sentiment in Australia does not run as deep as is commonly believed, for public attitudes to freer trade are more pragmatic than ideological, **Andrew Norton** reports

**F**reer trade in Australia has been a policy success but a public opinion failure. That pretty much summarises the politics of protection over the last 30 years. The governments of Gough Whitlam, Bob Hawke, Paul Keating and John Howard all reduced barriers to imports, but public opinion polls suggest that none of them convinced the electorate that it was a good idea.

Free traders remained a small minority. In 1999, the Morgan Poll asked its respondents whether Australia should or should not have import quotas, and compared its result with a 1962 survey. In 1962 only 16% replied that we should not, but in 1999 the number was even lower, on 14%. In 1984, when tariffs were high, just 22.3% of those polled in the National Social Science Survey disagreed with the proposition that 'our industries need stronger protection against imports from abroad'. In 1998, after tariff cuts

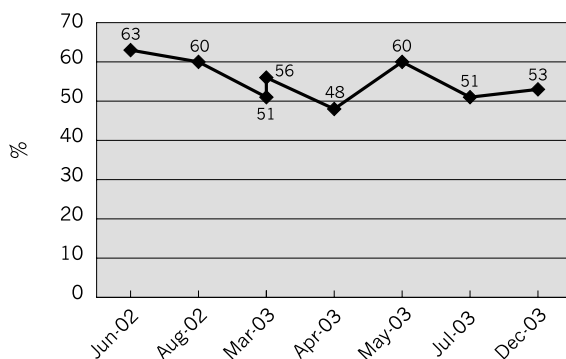
initiated by the Hawke and Keating governments, fewer than ever seemed convinced of free trade's merits. In the Australian Election Survey of that year, a mere 11.3% of their sample disagreed with the notion that 'Australia should continue to use tariffs to protect its industry'.

Anyone familiar with these results would assume that whatever the arguments in favour of a US-Australia free trade agreement, public opinion would be opposed. Curiously, though, that doesn't seem to be the case. As Figure 1 shows, in a series of polls on the proposed agreement commissioned by Hawker Britton between June 2002 and December 2003 only one fell below majority support, and even that was by a small margin. The numbers in favour of the agreement

**Andrew Norton** is a Research Fellow at The Centre for Independent Studies.

resemble usual levels of support for protection, of around two-thirds in favour, plus or minus 10% (there are usually significant numbers who do not answer the question either way). On this issue, the public seems to have reversed its long-standing opposition to freer trade.

**Figure 1: Support for a US-Australia free trade agreement**



*Question:* Do you support or oppose a free trade agreement with the United States?

*Source:* UMR Research/Hawker Britton

It is possible that as over the period of these polls trade experts could make only educated guesses as to what a free trade agreement might contain, the impressionistic views of the public are meaningless, reflecting confusion rather than real opinion. There is an alternative interpretation, however. This is that the arguments for free trade have had more impact on the public than the figures cited in the opening paragraph suggest, but that other concerns about reduced protection mean that the final policy stance has always been protectionist. These other concerns were less serious in the case of the United States, so opposition to free trade subsided.

### Arguments for free trade

Elite opinion on trade issues is overwhelmingly anti-protectionist. For several decades, the Commonwealth government has received advice from the Productivity Commission and its predecessor bodies that import protection encouraged inefficiency and increased prices.<sup>1</sup> A survey of economists found that 92.5% agreed with the proposition that 'tariffs and import quotas reduce general economic welfare', and

that belief has informed their teaching and public commentary for a long period of time.<sup>2</sup> Though both major parties have at times taken populist stances on trade, neither disagrees with the long-term trend away from protection, and each have supported trade liberalisation. In 2004, the Liberals backed the US-Australian Free Trade Agreement (FTA), and the ALP rejected attempts at its national conference to move toward a more restrictive trading system. Newspaper editorials and comments, at least in the broadsheet press, have generally supported anti-protection arguments.

The case for free trade put by these individuals and organisations seems to have had some impact on public opinion. We can see this in several surveys which ask not about the final policy question of whether Australia should or should not have protection from imports, but instead about considerations that might be relevant to answering that question.

The 1987 National Social Science Survey found slightly greater belief that 'most Australians would benefit if tariffs on imported goods were reduced' than the contrary (41.4% vs. 37.8%). This result may reflect awareness that a minority of Australians are employed by or have shares in companies that benefit from protection, but almost everyone pays higher prices as a result of tariffs or suffers shortages of imported goods when quotas are imposed.

In 1997 a Morgan Poll found that 52% of respondents agreed that lowering tariffs would encourage industries to become more competitive, indicating majority understanding that without (or with less) protection companies need to lower their prices or improve their goods and services if they are to avoid losing customers. In 2003 the Australian Survey of Social Attitudes found a

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plurality, 48.5%, supporting the statement that 'free trade leads to better products becoming available in Australia'.

### **But what about jobs?**

Though all these polls find significant public support for common arguments in favour of less industry protection, no poll until those reported in Figure 1 actually supported lower protection. In the 1987 National Social Science Survey, 63.7% agreed that 'our industries need stronger protection against imports from abroad'. So some people in that poll believe that most Australians would benefit from lower tariffs *and* that our industries need more protection.

Are these people inconsistent? Or do they perversely want to pay higher prices, foster inefficiency, and have fewer goods to choose from?

Similarly, another 1997 Morgan Poll, taken a week before the poll on making industry competitive, found that 62% of its respondents agreed with the Howard government's recent decision to slow down tariff reduction in the textile, clothing and footwear industries. So Morgan finds that its respondents both know that tariffs make industry less competitive *and* want tariffs maintained. In the Australian Survey of Social Attitudes of 2003, just 14.2% of the sample disagreed with the proposition that 'Australia should limit the import of foreign products in order to protect its economy'. So that survey finds that free trade leads to better products being available in Australia *and* that imports should be limited.

Are these people inconsistent? Or do they perversely want to pay higher prices, foster inefficiency, and have fewer goods to choose from? While nonsense answers to complex questions are likely to be a factor here, I also think that there could be at least an internal logic to many of these replies. This is because while people can acknowledge protection's detrimental aspects, they believe reducing protection would also have negative effects. Consequently, it follows that protection should be preserved, despite its costs.

One clue as to these policy priorities comes from two 1997 Morgan Polls. They offered their respondents a choice between protecting jobs and making Australia more competitive. In the first poll, 68% preferred protecting jobs to making Australia more competitive, and in the second 72% came to that conclusion. Another Morgan Poll in the same year found that 81% believed that 'maintaining tariffs at a level which protects our local industry' would improve the economy and create more jobs. There was no 1997 Morgan Poll on which issues the electorate regarded as the most important, but in 1998 nearly half of those surveyed, 49%, nominated unemployment as one of the top three issues government should be doing something about. Job concerns also show in the 2003 Australian Survey of Social Attitudes, with 49% of respondents agreeing that opening Australia's economy to foreign competition has adversely affected job security.

Concern about unemployment caused by tariff reductions was not confined to those who felt personally threatened by them. In the 1998 Australian Election Survey I cross-tabulated replies on the tariff question with replies to a question on whether the respondent was worried that over the next 12 months he or she or a member of the household might be out of work. Views on tariffs were nearly identical whether the respondent was 'very worried' or 'not at all worried' about job loss. A combination of the salience of unemployment as a political issue, and an inability of opinion leaders to focus the public on the bigger picture of employment in the entire economy, meant that reducing protection had little chance of being popular.

### **Patriotism**

Around the world there is a link between patriotic feeling and protectionist views.<sup>3</sup> Australia appears to be no exception to this pattern. In the 1998 Australian Election Survey, of those who regarded being Australian as 'very important' to their self-identity 63% agreed that Australia should use tariffs to protect its industry, compared to 40% who thought that being Australian was 'not very important' to their self-identity. Similarly, 65% of those who thought that 'New Australians should try harder to fit in' held protectionist views,

while 46% who of those who disagreed with that proposition were protectionists.

On the available evidence it is difficult to show conclusively why these connections exist, but it is not hard to guess. As Australian manufacturers have become unable to compete locally they have exported Australian jobs overseas, something that is unlikely to appeal to any patriot. Chronic current account deficits, partly blamed on low tariffs, have increased foreign debt and foreign control over Australian assets. Again, this is unlikely to appeal to patriots. Even if cheaper imports are attractive to Australians as consumers (as the trade figures show that they are), consumer identity isn't necessarily as strong as national identity. In the 1998 Australian Election Survey being Australian was very important to self-identity for 57% of the sample, compared to 40.5% who regarded their job as very important, 21% who thought looking good and stylish was very important, and 11% who thought their social class was very important. So it is not surprising than when asked a political question about trade they give a different answer to that which their consumer behaviour would suggest.

This is a case in which the broader arguments of economic reformers may have been counter-productive on a particular issue. Especially in the 1980s and early 1990s, large current account deficits and rising foreign debt were advanced as reasons for economic change. These international trade issues helped create the mood of necessity that made other controversial reforms easier to implement. For protection, though, the public's intuitive understanding was that cutting tariffs would increase imports without any corresponding increase in exports. It was almost impossible to convince them that reducing protection was consistent with the goal of improving the current account situation.

### **Why an exception with the US-Australia Free Trade Agreement?**

Usually when tariffs and import quotas are discussed it is in the context of particular industries, especially clothing, footwear, and vehicle manufacturing. All of these have been subject to intense overseas competition, particularly from Asian countries. There is a sense in which jobs in

Australia are being replaced by jobs in Asia. The US-Australia trade relationship is perhaps viewed differently. Unlike Asia, the United States is not a major competitor in industries dominated by blue collar employees, the people who are most vulnerable to job loss through reduced protection, and least able to find alternative employment. One study of retrenchment in the textile, clothing and footwear industry found that more than a third had not worked at all in the four years since retrenchment, and less than 40% were in secure full-time work.<sup>4</sup> There are few American-made clothes on the Australian market, and US-built cars are rarely seen on Australian roads, despite the high profile of US-owned manufacturers. So a trade deal with the United States does not pose the same threats as free trade more generally, or trade with Asian countries.

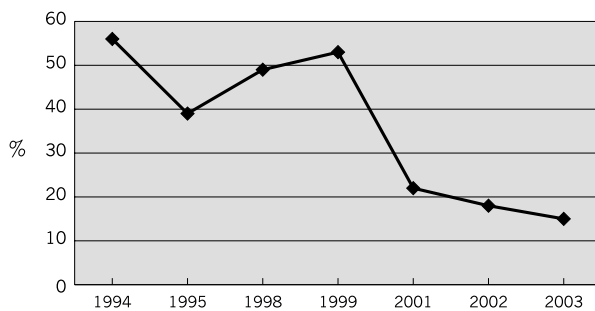
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The only people making a vocal fuss about job losses in the event of a free trade agreement with the US were workers in the film and television industry, who feared that US-made programmes would take the place of local content. When Hawker Britton's pollster UMR Research directly put this issue to its poll respondents the results were not dramatically different to a question which did not mention it. In mid-December 2003, when the question was 'Do you support or oppose a free trade agreement with the United States?' 53% said that they supported it. When the question was changed to 'Would you support or oppose the proposed free trade agreement with the US if some of our farmers were able to sell more products to America but in return our local film and television industry was

harmed?’ the proportion in favour slipped from 53% to 44%. This was still a plurality, with 36% opposed, and 20% unsure. Perhaps people do not feel sympathy for a group that they perceive as confident, articulate and wealthy in the way they do for working class employees in manufacturing industries.

Further easing the way to acceptance of a trade agreement may have been a drop in Australian unemployment, accompanied by an even larger decline in the proportion of people nominating unemployment as one of the top three issues that the federal government should be doing something about, as seen in Figure 2 below.

**Figure 2: The importance of unemployment as a political issue**



*Question:* Thinking about Australia as a whole. In your opinion, what are the three most important things the federal government should be doing something about?

*Source:* Morgan Poll

Patriots are likely to have seen a trade relationship with the United States more favourably than trade deals with other countries. In the 2001 Australian Election Study, 89% of respondents regarded the ANZUS alliance as either very important or fairly important for ‘protecting Australia’s security’, a fundamental concern of any patriot. In the 1998 Australian Election Survey a question dealt with the US against Japan. It put the proposition that ‘Australia should side with Japan and not the United States on economic matters’, with which 44% disagreed while only 9% agreed. Australia’s security relationship with the US, plus possibly our cultural similarities, give patriots cause to be less concerned about trade deals with the US than with other countries.

### Opinion after the deal

After the Free Trade Agreement was announced in early February 2004, two more polls were done, one by the Labor and arts lobby-linked Hawker Britton and UMR Research, and another by Newspoll, commissioned by a business group in favour of the agreement. These two polls came to very different conclusions. The UMR Research poll found that support was down to 35%, with 37% opposed. The Newspoll, by contrast, found that 51.5% of its respondents thought that the Senate should support the deal, and 24.2% thought it should be blocked.

How are we to explain these differences? One possible cause is differences in the question being asked. While the earlier UMR Research polls had asked simply ‘Do you support or oppose a free trade agreement with the United States’, in their February poll they added ‘now that our sugar industry has been excluded from the deal’. It is well-known in analysing opinion data that poll respondents give greatest weight to the most readily available information, irrespective of whether that is the most important information. So mentioning a negative in the question but no corresponding benefit may have pushed support down. Between the December and February UMR Research polls, there was a slightly larger decline in rural support (down 21%) than metropolitan (down 17%), consistent with rural areas identifying more strongly with the sugar export issue than city dwellers. There was also a bigger decline among Labor voters (down 22%) than among Coalition voters (down 13%), suggesting that Labor’s initial ‘no sugar, no deal’ response was a cue to its supporters to oppose the deal.

The Newspoll result may also have been affected by the way they asked the question. While the block or support question was straightforward, the previous question had been ‘Do you think that the Free Trade Agreement between Australia and the United States is important or not important for Australia’s economic future?’, to which 46.4% responded that it was ‘very important’ while 27.7% said that it was ‘somewhat important’. People like to give answers to questions that are consistent with their previous statements.<sup>5</sup> Having said in answer to the first question that the FTA was important, some

respondents may have felt it was inconsistent to then say that the FTA ought to be blocked in the Senate. However, it is noteworthy that the 51% support found by Newspoll is within the range found by UMR Research throughout 2003, when they too asked a for or against question, without prompts to answer one way or the other.

### The future of free trade opinion

Even the worst of these results, the 35% FTA support recorded by UMR Research in February 2004, is better than any other poll that I can find on a final trade policy question. The next best is the 26% who disagreed with the Howard government's 1997 decision to slow down tariff reduction, a Morgan Poll finding. If Labor ends up supporting the agreement, there is a fair chance that support would again increase, though maybe not to the previous majority support, presuming that the omission of sugar has had a lasting negative effect. Though FTA support is clearly shallow, there was something different about opinion on this issue compared to other trade issues.

What lessons can we draw for future campaigns in favour of trade liberalisation? One lesson is that though virtually every trade expert prefers multilateral agreements to bilateral agreements, the domestic politics, as well as the international politics, of bilateral agreements may be easier. Depending on the economic profile of the partner country, fewer entrenched public concerns will be touched, and fewer interest groups antagonised than with a multilateral agreement. By placing the deal in the broader political context of relations with the other country, some patriotic concerns may be eased. Current issue cycles

matter too, with periods of high unemployment (or high concern about unemployment) being the worst time for trade reform, though these times may be conducive to other reforms.

Opinion polls on the free trade agreement have shown better than any polls we've seen before that protectionist sentiment in Australia is not as entrenched as it might have seemed. For many Australians, this is not an ideological issue, but a pragmatic balancing of perceived negatives and positives. Where key concerns are absent, that balance can tip in favour of freer trade. The public, while sceptical and cautious, can be persuaded to overturn its protectionist presumptions.

### Endnotes

- <sup>1</sup> Margo Hone, *From Industry Assistance to Productivity: 30 Years of 'The Commission'* (Canberra: Productivity Commission, 2003).
- <sup>2</sup> Malcolm Anderson and Richard Blandy, 'What Australian Economics Professors Think', *The Australian Economic Review* (4<sup>th</sup> Quarter 1992), p.18. The actual results were 64.2% agree and 28.3% agree with provisions.
- <sup>3</sup> Anna Maria Mayda and Dani Rodrik, 'Why Are Some People (and Countries) More Protectionist Than Others', January 2002, pp.25-29. Available from Rodrik's personal website: <http://ksghome.harvard.edu/~drodrik.academic.ksg/papers.html>
- <sup>4</sup> Michael Webber and Sally Weller, 'What Happens When You Are Retrenched From an Old Declining Industry', in Peter Saunders and Richard Taylor (eds), *The Price of Prosperity: The Economic and Social Costs of Unemployment* (Sydney: UNSW Press, 2002).
- <sup>5</sup> For some interesting research on this, see Robert B. Cialdini, *The Psychology of Influence and Persuasion* (New York: William Morrow, 1993), ch. 3.

### The polls

The National Social Science Survey, the Australian Election Study Surveys, and the Australian Survey of Social Attitudes are available from the Australian Social Science Data Archive, <http://assda.anu.edu.au/> Recent Morgan Polls are available from <http://www.roymorgan.com/general/Home.cfm>.

I also used:

- 'Almost three-quarters of electors believe jobs more important than reducing tariffs', Morgan finding no. 3021, published in *The Bulletin* (23 September 1997).
- 'Overwhelming majority believe politicians should come up with better economic policies', Morgan finding no. 3022, published in *The Bulletin* (30 September 1997).
- 'Most Australians favour import quotas', Morgan finding no. 3210, published in *The Bulletin* (27 July 1999).

Some Hawker Britton/UMR Research polls are available from [http://www.hawkerbritton.com.au/latest\\_news/index.html](http://www.hawkerbritton.com.au/latest_news/index.html). Additional polling was supplied to me by Hawker Britton.

Some Newspoll research on the FTA is available from <http://www.austa.net/FTAanalyst.html>