THE POLITICAL ECONOMY OF AUSTRALIA'S TRADE POLICY-MAKING TOWARDS THE UNITED STATES

Russell Keith Solomon

A thesis submitted in fulfilment of the requirements for the degree of Doctor of Philosophy

Department of Government and Public Administration

University of Sydney

December 1993
© Russell Keith Solomon, 1993
ABSTRACT

The purpose of this study is to explain how Australia has bargained for improved outcomes in its trade with the United States over the 1980s and into the early 1990s. This explanation is sought by means of an analysis of the forces which have shaped Australia’s trade policy-making towards the U.S. in the five trading sectors of wheat, sugar, beef, steel and international air passenger transport.

The study adopts a theoretical framework which postulates that state actors and institutions are principally responsible for trade policy-making and the concomitant bargaining strategies adopted to improve trade outcomes. However, a state-centred approach needs to be qualified by state actors’ accommodation of societal-actor demands for policy action. While exogenous to this domestic bargaining process, influences emanating from the international political economy must also be taken into account. The relationships within and between state and societal actors, influenced as they are by international institutions and ideas, are critical to understanding the bargaining approaches made by one state towards another.

It is argued that sectoral trading outcomes between Australia and the U.S. can be understood by reference to a bilateral bargaining process within each trading sector. Within each such bargaining process, Australia has, within broad bilateral and multilateral approaches, devised strategies by which it could mobilize sectorally-specific resources to seek to exploit opportunities and minimise problems so as to improve its trading outcomes. The nature of these sectoral strategies has been influenced by first, the nature of the U.S. policy and policy-making process; second, the Australian domestic bargaining process between state and societal actors; and third, and to a lesser extent, prevailing ideas and the perceptions of the negotiating parties.

The study has concluded that in Australia’s bargaining with the U.S. in each of the five sectors, its sectoral bargaining strategies have generally reflected an accommodation between Australian state and societal actors towards the achievement of coterminous trading objectives. These strategies, involving the mobilization of sectorally-specific resources, aimed to exploit the relatively open nature of the U.S. policy-making process
towards an improvement in outcomes. The strategies also sought to address the
influences upon the sectoral bargaining process coming from the international political
economy, such as the GATT’s liberalism and the growth of global protectionism. This
attention by Australia to sectoral possibilities and problems for improved trading
outcomes has represented a more focused approach to bargaining with the U.S. Australia
continues to be faced with difficult problems in its trade with the U.S. in each of the
sectors studied. While this sectorally-focused approach may be unable to deliver great
gains for Australia in any of these sectors, it holds the promise of securing at least
marginal improvements, when circumstances permit, to Australia’s sectoral trading
outcomes with the U.S.

An important theoretical implication of this study is the importance of the domestic
bargaining process between state and societal actors in the development and execution
of international bargaining strategies. Another implication of the study is the need to
consider the international bargaining process as an independent variable capable of
intervening between relative power-capabilities and resultant outcomes to the benefit of
a weaker state.
ACKNOWLEDGEMENTS

I wish to thank my parents, Dora and Keith Solomon, for all their encouragement and
support, in so many tangible and intangible ways, over the years I have been researching
and writing this thesis. I would also like to acknowledge the loving support and
forebearance of Kirsty McKee, particularly over this past year.

I owe a special debt of gratitude to my supervisor, Dr John Ravenhill, who has never
ceased to give me encouragement and support. In particular, I wish to acknowledge the
many profound and constructive comments and criticisms which he has provided on
more drafts than he will care to remember.
# TABLE OF CONTENTS

ABSTRACT ................................................................................. i

ACKNOWLEDGEMENTS ............................................................. iii

TABLE OF CONTENTS .............................................................. iv

LIST OF TABLES ..................................................................... vii

LIST OF CHARTS ..................................................................... viii

LIST OF FIGURES ..................................................................... viii

LIST OF ABBREVIATIONS ....................................................... ix

A THEORETICAL FRAMEWORK ................................................... 1
   Introduction ........................................................................ 1
   The Argument in Brief ....................................................... 4
   The Level of Analysis Problem ........................................... 5
   International System Approach ......................................... 6
       Complex Interdependence and Issue Linkage ..................... 10
   State-Centred Explanations .............................................. 17
   Society-Centred Explanations .......................................... 22
   Cognitive (Non-Power) Factors .......................................... 28
       Role of Ideas .................................................................. 28
       Role of Perception ....................................................... 31
   Conclusion ......................................................................... 34
   The Plan of the Study ....................................................... 37

POLITICAL ECONOMY OF AUSTRALIA’S AGRICULTURAL TRADE WITH THE UNITED STATES .................................................. 45
   Introduction ........................................................................ 45
   U.S. Agricultural Trade Policies .......................................... 47
       Wheat ............................................................................ 48
       Sugar ............................................................................ 54
       Beef .............................................................................. 57
   United States Agricultural Trade Policy-Making .................. 62
       Role of the Congress ..................................................... 62
       Role of the Executive ................................................... 66
       Role of U.S. Societal Actors .......................................... 71
   Australian Agricultural Trade Policy-Making ...................... 75
       Role of Australian State Actors ..................................... 76
       Statutory Marketing Authorities: Wheat and Beef ............ 78
       Role of Australian Societal Actors ................................. 80
   Australia’s Bargaining Approach to the U.S. ....................... 83
       The Bilateral Approach .................................................. 84
       The Multilateral Approach ............................................ 89
   Conclusion ......................................................................... 93
# POLITICAL ECONOMY OF AUSTRALIA'S STEEL TRADE WITH THE UNITED STATES

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction</td>
<td>111</td>
</tr>
<tr>
<td>U.S. Steel Trade Policy and Programs</td>
<td>115</td>
</tr>
<tr>
<td>Brief History of the Postwar Period</td>
<td>115</td>
</tr>
<tr>
<td>Voluntary Export Restraint Agreements</td>
<td>117</td>
</tr>
<tr>
<td>U.S. Steel Trade Policy-Making Process</td>
<td>122</td>
</tr>
<tr>
<td>Role of the Executive</td>
<td>123</td>
</tr>
<tr>
<td>Role of Congress</td>
<td>127</td>
</tr>
<tr>
<td>Role of U.S. Societal Actors</td>
<td>129</td>
</tr>
<tr>
<td>Australian Steel Industry</td>
<td>133</td>
</tr>
<tr>
<td>The Steel Industry Plan</td>
<td>134</td>
</tr>
<tr>
<td>Australian Industry's Domestic Focus</td>
<td>137</td>
</tr>
<tr>
<td>Australia's Steel Exports to the U.S.</td>
<td>138</td>
</tr>
<tr>
<td>Australian Steel Trade Policy-Making Process</td>
<td>142</td>
</tr>
<tr>
<td>Role of Australian State Actors</td>
<td>142</td>
</tr>
<tr>
<td>Role of Australian Societal Actors</td>
<td>144</td>
</tr>
<tr>
<td>Australia's Bargaining Approach to the U.S.</td>
<td>145</td>
</tr>
<tr>
<td>The Bilateral Approach</td>
<td>147</td>
</tr>
<tr>
<td>The Multilateral Approach</td>
<td>151</td>
</tr>
<tr>
<td>Conclusion</td>
<td>154</td>
</tr>
</tbody>
</table>

---

# POLITICAL ECONOMY OF AUSTRALIA'S AVIATION TRADE WITH THE U.S.

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction</td>
<td>172</td>
</tr>
<tr>
<td>Brief Postwar History</td>
<td>174</td>
</tr>
<tr>
<td>Multilateral Bargaining and the GATT</td>
<td>177</td>
</tr>
<tr>
<td>Recent Developments in International Aviation</td>
<td>178</td>
</tr>
<tr>
<td>U.S. International Aviation Policy</td>
<td>179</td>
</tr>
<tr>
<td>History and background</td>
<td>179</td>
</tr>
<tr>
<td>U.S. Negotiating Policy</td>
<td>182</td>
</tr>
<tr>
<td>U.S. Bilateral Approach</td>
<td>183</td>
</tr>
<tr>
<td>U.S. Multilateral Approach</td>
<td>186</td>
</tr>
<tr>
<td>Role of the Executive</td>
<td>189</td>
</tr>
<tr>
<td>Role of Congress</td>
<td>190</td>
</tr>
<tr>
<td>Role of U.S. Societal Actors</td>
<td>192</td>
</tr>
<tr>
<td>Australian International Aviation Policy</td>
<td>194</td>
</tr>
<tr>
<td>History and Background</td>
<td>194</td>
</tr>
<tr>
<td>The 1992 Policy Changes</td>
<td>196</td>
</tr>
<tr>
<td>Australian International Aviation Policy-Making Process</td>
<td>198</td>
</tr>
<tr>
<td>Role of Australian State Actors</td>
<td>198</td>
</tr>
<tr>
<td>Role of Qantas and Other Societal Actors</td>
<td>202</td>
</tr>
<tr>
<td>Australia-U.S. Negotiations and the 1988 Air Services Agreement (ASA)</td>
<td>206</td>
</tr>
<tr>
<td>The Problem of Capacity on the Pacific Routes</td>
<td>206</td>
</tr>
<tr>
<td>Capacity on the South Pacific Route</td>
<td>210</td>
</tr>
<tr>
<td>Capacity on the North Pacific Routes</td>
<td>211</td>
</tr>
<tr>
<td>Routes Entitlements</td>
<td>217</td>
</tr>
<tr>
<td>Australia's Bargaining Approach to the U.S.</td>
<td>220</td>
</tr>
<tr>
<td>The Bilateral Approach</td>
<td>220</td>
</tr>
</tbody>
</table>
LIST OF TABLES

Table A: Australia’s Trade with the US ........................................ 315
Table B: World Wheat Production, Trade and Carryover Stocks .......... 316
Table C: Export Wheat Prices .................................................... 317
Table D: Australian Sugar Production Statistics ............................ 317
Table E: Australian Raw Sugar Exports ....................................... 318
Table F: Australian Meat Exports by Destination ............................ 319
Table G: Imports of Meat Subject to Meat Import Law ..................... 322
Table H: United States Meat Supply and Consumption .................... 322
Table I: The Largest Steel-Producing Companies, 1987 and 1988 ...... 323
Table J: The Major Steel-Producing Countries, 1987 and 1988 .......... 324
Table K: The Major Importers and Exporters of Steel, 1987 ............... 325
Table L: World Trade in Steel Products, 1975 to 1987 ..................... 326
Table N: World Scheduled Traffic Development: International and Domestic Combined ................................................................. 328
Table O: World Scheduled Passenger Load Factors ......................... 328
Table P: High Fliers ................................................................. 329
Table Q: World airlines’ Financial Results .................................... 330
Table R: Scheduled Passengers Carried 1991 ................................ 330
Table S: Scheduled Passenger - Kilometres Performed 1991 ............ 331
Table T: Operation of Relevant Australian and US Airlines 1991 (Scheduled Services) ................................................................. 331
Table U: Summary Table .......................................................... 332
LIST OF CHARTS

Chart A: US and Australian Wheat Prices .................................. 333
Chart B: US Domestic and World Market Prices for Raw Sugar In 1984 values .................................................. 333
Chart C: US Sugar Production - Crop Years .............................. 334
Chart D: Volume of Steel Trade, Western World, 1980 to 1987 .......... 334
Chart E: The Rise of Mega-Carriers ........................................ 335

LIST OF FIGURES

Figure A: Principal grain production areas ............................... 336
Figure B: US Sugar Cane and Sugar Beet Producing Regions .......... 337
Figure C: United States International Trade Policy Interagency Coordination .................................................. 338
Figure D: The MIL Formula for Adjusted Base Quantity ................ 339
LIST OF ABBREVIATIONS

ABARE  Australian Bureau of Agricultural and Resource Economics
ACTN   Advisory Committee for Trade Negotiations
ACTU   Australian Council of Trade Unions
AD     Antidumping
AIIS   American Institute for International Steel
AISI   American Iron and Steel Institute
ANZUS  Australia New Zealand and United States security alliance
AMLC  Australian Meat and Livestock Corporation
APAC  Agricultural Policy Advisory Committee
ASA   Air Service Agreement
ATA   Air Transport Association
AUSMINT Australia-U.S. Ministerial Meetings
AWB   Australian Wheat Board
BIE   Bureau of Industry Economics
BHP   Broken Hill Proprietary Company Limited
CAB   Civil Aviation Board
CCA   Cattle Council of Australia
CCC   Commodity Credit Corporation
CEA   Council of Economic Advisors
CIE   Centre for International Economics
CRS   Computer Reservation System
CSR   Colonial Sugar Refining Company Limited
CTAG  Commodity Trade Advisory Group
CVD   Countervailing Duty
DFAT  Department of Foreign Affairs and Trade
DITAC Department of Industry, Technology and Commerce
DOC   Department of Commerce
DOT   Department of Transportation
DOTAC Department of Transport and Communications
DPIE  Department of Primary Industries and Energy
EC    European Community
EEP   Export Enhancement Program
EPC   Economic Planning Council
ERS   Economic Research Service
FAS   Foreign Agriculture Service
FFP   Frequent Flyer Program
FOR   Farmer-Owned-Reserve
GCA   Grains Council of Australia
GAO   General Accounting Office
GATT  General Agreement on Tariffs and Trade
GNS   Group Negotiating Services
HFCS  High Fructose Corn Syrup
ICAP  International Civil Aviation Policy
IAC   Industries Assistance Commission
IASC  International Air Services Commission
IC    Industry Commission
ITA   International Trade Agency
ITC   International Trade Commission
MIL  Meat Import Law
MOU  Memorandum of Understanding
MSP  Market Stabilization Price
NAWG National Association of Wheat Growers
NCA  National Cattlemen's Association
NFF  National Farmers Federation
OMB  Office of Management and Budget
PAC  Political Action Committee
PIK  Payment-in-Kind
QCGC Queensland Cane Growers' Council
SIA  Steel Industry Authority
SIAC Steel Industry Advisory Committee
SIP  Steel Industry Plan
TIFA Trade and Investment Framework Agreement
TNG  Trade Negotiating Group
TPM  Trigger Price Mechanism
TPRG Trade Policy Review Group
TPSC Trade Policy Staff Committee
USDA United States Department of Agriculture
USTR United States Trade Representative
VRA  Voluntary Restraint Agreement