CONCLUSION

Introduction

Australia’s trade relations with the U.S. have always been important and the latest difficulties, as discussed in this study, are but another episode in a story of the continuing difficulties which Australia has experienced in trading with the U.S. over the past century. There is an enduring importance about Australia’s trade relations with the U.S. which derives not only from the place occupied by the U.S. within the global economy but also from the nature of the sectoral trade relations between the two countries. The importance of a study of Australia’s trading relations with the U.S. has been enhanced rather than diminished by the recent attention by Australian trade policy-makers to integrating Australia into the economic dynamism of the Asian-Pacific region.

Despite the impressions which may have been produced by recent rhetorical statements by Australian Foreign Affairs Minister Evans and Trade Minister Cook, Australia’s approach to the U.S. on trade and other economic matters, as with its approach on military and security affairs, has generally been conservative and predictable. J.D.B. Miller probably captured the essence of the approach when he spoke generally of foreign policy as having been ‘derivative, cautious, capitalist, bourgeois and anti-revolutionary’. [Miller, 1992, 117] Minister Evans, while referring to the need to manage the U.S. relationship, has argued that it is fundamentally no different from other relationships. [see for example, Evans and Grant, 1992] However, Australians do perceive the U.S. relationship differently from others seeing themselves as relying upon the U.S. in a security sense and while Australian policy-makers have, from time to time, expressed concern at Australia’s treatment by the U.S., they have been anxious to profess a particular closeness between the two countries.

While the frustration felt as a result of U.S. protectionist policies has promoted strident comments by Australia’s political leaders against these policies, there has been an unspoken assumption about the importance of the relationship, be it in its political, economic or strategic dimensions. This has prompted Australia’s leaders to disavow
linking the trade problems with the U.S. to any other aspects of the overall political-economic or even strategic relationship. Minister Cook’s recent ‘flashing’ of the security alliance card over frustration with, particularly, the impact of U.S. barriers to agricultural exports [see, for example, Lyons, 1993c and Stutchbury, 1993d] and then its hasty withdrawal provided an example of the delicate manner in which Australia has approached the U.S.295 Australia’s frustration with how U.S. protectionist policies have adversely affected Australia’s trading outcomes has not prompted a serious linking with other aspects of the Australia-U.S. relationship. This has revealed an acknowledgment by Australian policy-makers of the overall weakness in Australia’s bargaining power in relation to the U.S.

There is no doubt that the Australian government (regardless of political colour) has considered the U.S. security alliance to be fundamental. As J.L. Richardson has commented, this alliance has little relevance for Australia’s foreign economic policy-making and diplomacy.[Richardson, 1991, 291] However, Australia’s policy-makers remain fearful that bringing that alliance into question through linkage to problem trade areas will, at best, illustrate that Australia’s need of the alliance is greater than that of the U.S. and, at worst, upset the sound political relationship with the U.S., and possibly incur a domestic electoral backlash. While the Australian Liberal-National Opposition has recently become more critical of the U.S. relationship, it still considers itself more supportive of that relationship than the Labor Government. Any action by an Australian Labor Government to upset the U.S. relationship may still be a potential rallying point for the opposition parties.

The economic importance to Australia of the U.S. bilateral trade relationship is undeniable as are the large deficits which Australia has recorded across almost all sectors of trade.296 The imbalance in Australia’s trade with the U.S. [see Table A] has been partly caused by the fact that Australia’s exports to the U.S. have been principally primary commodities (and from a few commodity groupings), while its imports from the U.S. have been of a more value-added nature. While trade with Australia is itself of little consequence to the U.S. and meeting Australia’s specific demands could be made without great cost to the U.S., the major items of Australia’s export trade are in sectors where there is a good deal of domestic U.S. political sensitivity. Even if the U.S. was
disposed towards acceding to Australia's demands, the overriding concern would be whether such concessions could be limited to Australia.

While Australia has not opened up its economy and removed its own protectionist barriers as much as has been claimed [see for example, Ravenhill, 1992; Snape, 1989],\(^2\) there has been an important recognition of the structural nature of Australia's problems and efforts made to resolve these problems without, at the same time, insulating industry from international competition. From the early 1980s, the newly-adopted Australian attitude promoting economic liberalisation was not only applied domestically but became an important part of Australia’s approach to improving its trade outcomes with the U.S. (as well as with others), the more so as the Australian government sought economic gains which would help to ease the pain being suffered by industry as a result of domestic adjustment.

As this study has discussed, the major trade problem for Australia in dealing with the U.S. has been the growth in the use of nontariff barriers in sectors of primary export interest to Australia. In seeking to address these problems, Australia has sought to make its bilateral and multilateral approaches compatible and, more recently, to bring a regional strategy into service to promote liberalisation and the access of Australian exports to foreign markets.

Australia’s bilateral approach to the U.S. to improve trade outcomes, while conditioned by the nature of the U.S. sectoral trade policy and process as examined in this study, has also changed over the period of the 1980s. Rather than simply concentrating upon the U.S. administration (where Australia has generally received its most sympathetic hearing), the importance of lobbying the U.S. Congress has been recognized and these efforts have become institutionalized. Likewise, efforts at encouraging domestic support, with like-minded U.S. societial actors and through the dissemination of ideas of liberalisation, have been promoted in a more comprehensive and sophisticated manner over this period.

In the first chapter of this study, a number of theoretical propositions were employed to assist in explaining Australia’s trade policy-making towards the U.S. These
propositions were located within either the international system, state-centred or society-centred approaches. In this final chapter, these propositions will be evaluated against the empirical evidence presented in the five sectoral studies.

The structural explanation and its limitations

Australia and the U.S. stand in vastly different positions within the structure of the global political economy, characterised as it is by an uneven distribution of capabilities across states. With a much larger economy than Australia and a lesser dependence upon international trade, the U.S. has been not only a major exporter and importer of goods and services but has often also been a major (if not the major) producer.

The U.S.’s position of strength within the global political economy allows it some capacity to both withstand adverse international developments and avoid institutional constraints imposed by other states, thereby exporting the costs of adjustment on to other states. It has greater freedom to both restrict imports and support exports without retaliation from other states. In relation to weaker states, such as Australia, the U.S. can be expected to be able to impose its demands while resisting those demands placed upon it by such states. The U.S.’s greater economic strength combined with the fact that for most of the postwar period it has provided Australia with a security guarantee, has, generally speaking, given it greater leverage over Australia (both multilaterally and bilaterally) than can be said in reverse for Australia.

This U.S.’s structural power has enabled it to make a substantial contribution to defining the structure within which each of the bilateral relationships with Australia has occurred. For example, in each of the cases where Australia has exported to the U.S., (the sugar, beef and steel sectors) U.S. structural power has enabled the U.S. to use the nature of its U.S. policy and policy-making process to hamper, if not obstruct, the ability of Australia to improve upon its sectoral outcomes. An important way in which this has occurred has been by the imposition of voluntary restraint agreements (VRAs) in both the beef and steel sectors. To these could be added the legislation which has limited the U.S. administration’s discretion to negotiate improved outcomes for non-predatory traders.
Australia, on the other hand, is much more likely to be affected by developments in the global political economy over which it has little or no control. Australia has a limited capability to structure its relationships with the U.S. and the only sector in this study where Australia has come close to making a substantial contribution to structuring the relationship has been the international aviation sector. The particular formalised nature of bilateral aviation bargaining has enabled Australia to resist (at least partially) U.S. demands for capacity increases on the Pacific air routes.

International regimes, such as the GATT, have been used to advance the interests of the strong 298 while these strong states have managed, on occasion, to claim immunity from their application. 299 A stronger state may also be able to circumvent the application of a regime to a sector altogether by resorting, for example, to a VRA as in the case of the U.S. steel and beef programs of the 1980s. International regimes, while being capable of constraining the behaviour of weaker states, such as Australia, may not be able to guarantee their rights or entitlements under its agreements.

However, a regime such as the GATT may not always directly reflect the interests of the stronger parties and may be of value to a weaker trader. For Australia, the most obvious example has been the opportunity provided through the GATT’s Uruguay Round to promote agricultural trade liberalisation, both individually and through Australia’s leadership of the Cairns Group. Australia has also sought to use the Multilateral Steel Talks (which were conducted in parallel with the Uruguay Round) for the similar liberalisation of that industry sector, though these talks have yet to produce any meaningful results.

A regime has also provided opportunities for a weaker state which has been discriminated against to use the regime’s processes and cite its rules to embarrass a stronger state. For example, Australia used the GATT dispute panel process to seek reform of U.S. sugar policies. A regime’s rules may also serve to encourage those state and societal actors within the stronger state who advocate policies favoured by the weaker state. The liberal rules of the GATT have, for example, provided intellectual support to those U.S. domestic actors who have advocated free trade and the reform of U.S. protectionist policies.
While this study has revealed the greater capabilities of the U.S., across a number of sectors, it has been noted that this preponderance of economic and political capabilities does not automatically translate into control over sectoral outcomes. This has been largely due to the ability of a sectoral bargaining process between the two states to act as an intervening variable and provide opportunities for the weaker state to improve upon its outcomes within that sector. The extent to which Australia, as the weaker state, has been able to take advantage of these opportunities and dilute the U.S.'s control over trading outcomes has depended upon its ability to mobilize sectorally-specific resources within either or both its bilateral and multilateral approaches to the U.S.

Australia has not, however, been uniformly successful in applying sectorally-specific resources towards an improvement in outcomes. In this study, sugar and beef were the two sectors which reflected most closely the relative bargaining power of Australia and the U.S. and revealed the greatest difficulty for Australia in seeking to mobilize sectorally-specific resources towards improvements in outcomes. These were both cases of import politics with policy constraints upon foreign exporters to the U.S. (sugar's import-quota and then tariff-quota; and beef's import quota). These policies have been produced by coalitions of U.S. state actors (principally in the Congress) and societal actors. Australian lobbying and the mobilization of certain sectorally-specific resources have failed to prevent both a diminution of Australia's share of the U.S. sugar import market and continuing restrictions and difficulties with the beef voluntary restraint agreement.

Steel is another sector where Australia has faced a coalition of U.S. state and societal actors promoting protectionist policies against foreign exporters. However, in the case of steel, Australia's weak bargaining position has not been the principal determinant of its U.S. trade outcomes with much more powerful foreign exporters faring no better than Australia. While another case of protectionist import politics, the responsiveness of U.S. policy-makers to foreign exporters' demands has had nothing to do with the exporter's relative share of the U.S. steel market just as it has had nothing to do with their relative power-capabilities vis-a-vis the U.S. In this sector, the fact that Australia has not improved its trade outcomes does not mean that efforts by Australian state and societal actors (both equally important in determining Australia's bargaining strategies) have
been of no consequence. On the contrary, the mere maintenance of market share and ‘damage control’ from the effects of sectoral measures would seem to have demanded such efforts.

Wheat and international air passenger transport were two sectors where Australia has been in export competition with the U.S. There is evidence to suggest that in the case of wheat, Australia has lobbied with some success to avoid worst-case scenarios which could have resulted from Australia’s relative weak bargaining position. Given the export-orientation of U.S. wheat policy, Australia has been able to apply its high level of commitment to international trade liberalisation, both multilaterally and bilaterally, towards a moderation of U.S. policies.

In its multilateral approach to improving wheat trade outcomes, Australia has applied this high level of commitment by means of its coalition-building in the Cairns Group. Australia’s leadership of the Cairns Group made a substantial contribution to keeping agriculture at the top of the Uruguay Round agenda thereby helping to make possible a deal which included the reform of U.S. wheat support programs. Bilaterally, Australia has promoted itself as an efficient trader and informed U.S. state actors of the cost of their support programs, while providing both political and intellectual support to those U.S. state and societal actors favouring reform of U.S. wheat policies. Australia’s lobbying to improve its wheat trade outcomes has been uniquely successful in drawing some recognition from U.S. state actors that wheat trade issues are of some political significance for Australia-U.S. bilateral relations.

The international air passenger transport sector has been the trade sector in this study which has produced the most favourable outcomes for Australia. While by no means producing completely favourable results, these outcomes have been effected by means of a formal bilateral bargaining framework which has intervened to modify those outcomes which could be expected to have resulted from the application of Australia’s relative power-capabilities vis-a-vis the U.S. In particular, Australia’s high level of commitment to a capacity mechanism was applied to contain U.S. services on the trans-Pacific routes, resulting in a bilateral agreement somewhat more restrictive than that sought by the U.S.
In three of the sectors (wheat, steel and international air passenger transport), this study has shown that sectoral trading outcomes between Australia and the U.S. have resulted from factors other than those derived from the relation of asymmetrical interdependence. In the wheat sector, Australia has benefitted, albeit only partially, from both its self-promotion as an efficient and non-predatory trader and its commitment to international liberalisation. While Australia has not received favourable trading outcomes in the steel sector, this has not been because of the asymmetrical power-capabilities of Australia and the U.S. but rather because of the strength of the U.S. societal actors promoting industry protectionism and, more importantly, the perceptions of U.S. state actors about the nature of the world steel market and those foreign traders exporting to the U.S. In the international air passenger transport sector, the nature of the bilateral bargaining process has enabled Australia to apply a high level of commitment to capacity regulation to limit (albeit only partially) the capacity increases of U.S. carriers on the Pacific routes.

The fact that outcomes in some sectors of Australia-U.S. trade have resulted from factors other than those derived from the relation of asymmetrical interdependence has undermined the explanatory value of the international system approach. The international system has, however, provided a certain contextual background for the consideration of Australia-U.S. sectoral trade relationships. While not deterministic of trade policy outcomes, the context formed by the international system is capable of influencing both the domestic and international bargaining processes. The global market realities which have confronted Australia in each sector have, for instance, had a direct bearing on the strategies adopted by Australia and resultant bilateral outcomes.

The ideas of economic rationalism and trade liberalisation have constituted another international influence upon Australia-U.S. bargaining. Australia, in all sectors but especially in the agricultural sectors, has accepted the importance of these ideas and has, in varying degrees, applied them to its domestic industries to encourage their efficiency and international competitiveness, while also promoting them globally. The promotion of these ideas, both domestically and multilaterally in the GATT Round, has provided support to domestic U.S. actors supporting free trade. It has also helped to establish a U.S. position favourable to agricultural trade reform in the Round, evidenced by the
1992 Blair House Accord which itself helped produce a satisfactory result in the Round for Australia.

Ideas of economic rationalism have undoubtedly had an impact upon U.S. wheat policy, with wheat support policies having become more market-oriented after 1985, and U.S. steel policy with the U.S. administration’s refusal to extend the VRA program beyond March 1992. In its wheat trade, Australia’s own self-promotion as a relatively lightly-subsidized trader and advocate of trade liberalisation has had some marginal influence with the removal of some potentially harmful provisions from the 1988 U.S. Trade Bill and the more recent U.S. decisions not to target the EEP program against some markets, such as Indonesia, where Australia has enjoyed a major market share.

Neo-mercantilist ideas have also been an important international influence in all sectors but especially in terms of the U.S.’s efforts to maintain and increase its global market share in wheat and steel. Such ideas were also present in U.S. policy positions in respect of restrictions on the access of foreign airlines to the U.S. market and on the share of the U.S. market available to foreign sugar and beef exporters.

The presence of a sectoral bargaining process between Australia and the United States, acting as an intervening variable, may well serve to confirm a result derived from the condition of asymmetrical interdependence which exists between Australia and the U.S. This has been in evidence in the sugar, beef and steel sectors. However, the process can introduce other factors (both domestically and internationally-based) into the determination of bilateral outcomes and these may assist the weaker state by allowing the exercise of sectorally-specific resources towards an improvement in its outcomes. Australia has applied its high level of commitment to multilateral agricultural liberalisation and promoted itself as an efficient and lightly-protected exporter to influence (either directly or indirectly through multilateral reform) a change in U.S. policy. Australia’s promotion of agricultural liberalisation (chiefly through the Cairns Group) has contributed to the Uruguay Round result and the likely reform of some U.S. agricultural policies, such as those relating to wheat support. In the aviation sector, there was evidence of skilful bargaining by Australia’s negotiators and the promotion of a
committed position on capacity regulation which enabled Australia to resist, albeit only partially, the expansionist plans of U.S. carriers on Pacific routes.

Australia's negotiations with the U.S. over international air rights have provided further opportunities for Australia to improve upon its outcomes because of the nature of the bilateral negotiation process. Involving joint decision-making by both states, the process has had the capacity to undermine U.S. structural power by requiring the reciprocal granting by both parties of landing rights and route entitlements. The process has meant that Australia has been able to avoid focusing its bilateral bargaining directly upon the U.S. policy process and provided opportunities for Australia to apply sectorally-specific resources within the formal negotiation process towards an improvement in outcomes.

This formal process also allowed Australia to terminate the 1980 Agreement in 1987, thereby enabling it to exploit the U.S.'s desire for an agreement and apply Australia's high level of commitment to a regulatory mechanism to achieve a result more favourable to Qantas Airways. The successful insistence by Australia on a government-to-government mechanism for regulating route capacity was an instance of a procedural opportunity afforded the weaker state to influence, if not set, the agenda of the negotiation process.

Australia's use of the bargaining process as an intervening variable to improve its trading outcomes has, however, varied across the sectors of this study. With the varying limitations upon Australia's use of the sectoral bargaining process to deliver satisfactory outcomes, this study's examination of the bargaining process across sectors will serve to reveal the various sectoral opportunities and problems which confront Australia and which act, or hold the potential, to improve or frustrate the achievement of desired outcomes. To exploit these opportunities and minimise the effects of problems, Australia has sought to mobilize certain sectorally-specific resources. While many of these resources (such as emphasising Australia's high commitment to trade liberalisation or its self-promotion as an efficient and lightly-subsidised producer) have been found in more than one sector, they have varied to the extent that they have been able to enhance Australia's bargaining outcomes.

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There have been instances where, because of U.S. structural power, the process has either been given too limited an application to benefit Australia as the weaker state or has simply assisted the U.S. as the stronger state to secure more favourable outcomes. U.S. trade laws in the sugar, beef and steel sectors produced programs which provided few, if any, opportunities for Australia to bargain for an increased share of the U.S. market. The VRA programs for beef and steel tightly proscribed bilateral negotiation, while the sugar tariff quota offered no opportunity for negotiation between the U.S. and foreign exporters.

Efforts to modify Australia’s structural weakness when bargaining with the U.S. have been most successful in those sectors where there has either been a formal bilateral bargaining process (as in the international air passenger transport sector) or where Australia has been able to apply resources capable of striking a strong resonant chord with important U.S. state and/or societal actors (as in the wheat sector). In the international air passenger transport sector, Australia was able to exercise some control over trading outcomes by means of the formal bilateral bargaining process between the two countries, and thereby retain a regulatory framework over airline capacity increases on the trans-Pacific routes. In the wheat sector, Australia’s commitment to and coalition-building for the multilateral liberalisation of agricultural trade together with its self-promotion and informing strategies have been given currency by those U.S. state and societal actors keen to see reform of U.S. wheat policies. The relatively close linking of U.S. wheat policies to a successful Uruguay Round result and the (partial) avoidance of further targeting by the U.S. of traditional export markets are counted as positive results of Australian bilateral and multilateral lobbying.

In the sugar, beef and steel sectors where Australia has experienced greater difficulties, it has sought to mobilize resources which, while ostensibly aimed at improving outcomes, have more immediately sought to minimize the harm to Australian economic interests from the implementation of U.S. trade policies. Trading outcomes in each of the sugar and beef sectors have reflected the U.S.’s greater power-capabilities. In each of these sectors, Australia has been unable to successfully forestall or influence a change in U.S. policies, resulting in either reduced market share (as in the sugar sector) or increased difficulties and pressure on market share (as in the beef sector). While steel
sector outcomes have not reflected relative power-capabilities, Australia has experienced difficulties along with other foreign exporters (strong and weak alike). These problems have resulted from policies set in place by U.S. state actors who, while admittedly influenced by important U.S. societal actors promoting industry protection, have perceived that U.S. policies need to support U.S. industry against what has been considered an unfair and corrupted world steel market.

**Australia’s bargaining with the U.S.**

Australia’s trade bargaining with the U.S. in the sectors reviewed in this study has involved approaches conducted either bilaterally to the U.S. or multilaterally, principally through the GATT’s Uruguay Round of multilateral talks. Within each of these approaches Australia has adopted a number of strategies towards the attainment of certain sectorally-specific objectives as part of the overall aim of maintaining, if not improving, sectoral trade outcomes. These objectives may have related either to Australia’s share of the U.S. import market as in the sugar, beef and steel trade; Australia’s share of the global export market as in the wheat trade; or Australia’s share of aviation rights on Pacific routes and access to the U.S. market as in the international air passenger transport sector.

The opportunities available to Australia to bargain for an improvement in its sectoral trading outcomes have been largely a product of whether the principal issue at stake has been access to the U.S. market or global (and possibly regional) market share. In those sectors (sugar, beef and steel) where Australia’s principal, if not only, objective has been the increase or maintenance of U.S. market share, Australia has experienced greater difficulty in applying its sectorally-specific resources to effect an improvement in outcomes. The U.S. has been able to apply its structural power in these politically-sensitive sectors to support or appease important societal actors and block efforts by foreign exporters, including Australia, to effect a modification of U.S. policy.

In those sectors where Australia has largely been in export competition with the U.S. and where its principal aim has been the maintenance, if not increase, in global or regional market share (the wheat and international air passenger transport sectors), it has
had more success in overcoming the exercise of U.S. structural power to modify the impact of U.S. policies. This partially successful application of Australia’s sectorally-specific resources has been effected either by means of its bilateral lobbying, a multilateral negotiations process or a formal bilateral bargaining process. Of all the sectors, wheat has been the one where U.S. policies have been the most responsive to the reform proposals developed in the multilateral talks of the Uruguay Round. Coupled with some U.S. sensitivity to Australian complaints about the harm of U.S. wheat policies, the multilateral developments have served to enhance the effectiveness of those resources applied by Australia towards an improvement in its trading outcomes in this sector.

The international air passenger transport sector has been unique in that Australia has been able to take advantage of the formal bilateral bargaining process which has placed Australia in a more equal bargaining position with the U.S. over the trading of aviation rights. Australia’s chances of improving outcomes in this sector have been hampered, however, by the need to trade access to the Australian market for access to what has largely remained a protected U.S. domestic market.

Bargaining with the U.S. in each of the sectors of this study has not been conducted in a vacuum away from the influence of relative power-capabilities. Concerned, however, to limit the extent of the influence of the U.S.’s greater power-capabilities, Australian state actors have devised strategies to either take advantage of opportunities or counter problems arising within each sector, and to mobilize sectorally-specific resources towards an improvement in sectoral outcomes. In seeking to explain how Australia bargains with the U.S. across sectors and over time, this study has examined the three broad categories of influence upon each of the Australia-U.S. sectoral bargaining relationships: the nature of the U.S. policy and policy-making process; influences arising from the Australian domestic bargaining process; and cognitive factors.
Nature of U.S. policy and process

The importance of the nature of the U.S. policy and policy-making process in determining the opportunities available and constraints upon Australia’s bargaining approaches has varied across sectors. In each of the agricultural and steel industries, Australian state and societal actors have sought either positive discrimination for Australia by the U.S. and/or a liberalisation of U.S. protectionist programs. While state actors have taken the lead in advancing Australia’s various bargaining strategies, societal actors have been involved, either jointly or independently, in Australia’s advocacy to the U.S. for an improvement in trade outcomes.

The U.S. sugar import quota has been used to control the supply of sugar coming on to the U.S. domestic market. This diminishing quota is set each year without negotiation with foreign exporters and reflects pressure on the inefficient U.S. sugar industry from alternative U.S. sweeteners. The U.S. sugar policy has provided no opportunity for Australia to improve its share of the U.S. market.\textsuperscript{301} The administration of the sugar program by the U.S. Department of Agriculture (USDA) has reflected concern that the quota remain an effective mechanism to control imports rather than whether foreign exporters were efficient and reliable suppliers.

Where Australia has achieved some limited success in respect of the U.S. sugar policy has been in having the import quota converted to a tariff-quota. Achieved as a result of the successful case by Australia and other sugar exporters before a GATT dispute panel, this tarification offers the hope that the tariff will eventually be reduced to zero, removing the restriction on U.S. sugar imports.

U.S. beef trade policy, like the sugar policy, sought to restrict imports by means of a quota which was calculated by reference to the annual domestic beef supply. When, for instance, Australian imports looked like exceeding a certain trigger level, Australia was obliged to enter into a VRA with the U.S. government if it wanted to gain an additional 10 percent access over the quota level. The discretion available to the President to improve a foreign exporter’s access to the U.S. beef market was restricted by legislation.
effectively providing the U.S. cattle industry with an opportunity to organize political resistance.

Australia has regularly been required to enter into a VRA as its beef exports to the U.S. market move towards the trigger level. The program caused administrative difficulties for Australia while also having a depressing effect upon the prices received in both the U.S. and other export markets. There is no appeal mechanism nor an opportunity for the U.S. government to recognize Australia’s reputation as a reliable and efficient exporter of beef and provide partial or full immunity from the program’s operation.

U.S. wheat policies have represented ‘export politics’ in practice with the executive having greater control over policy formulation than in the case of the sugar, beef and steel sectors. The U.S. wheat support programs of the 1980s have stimulated production unrelated to prices received in the marketplace. Despite some partially successful efforts at production control, these programs have resulted in additional wheat being supplied to world markets despite a fall in demand. While these policies linking income support to production have been damaging to the price Australia has received on the global wheat market, the most harmful U.S. wheat policy for Australia has been the export subsidy program, the Export Enhancement Program (EEP). While directed at specific targeted markets (in competition with the EC), the U.S. has also used the program against non-targeted markets, either displacing Australia from a particular market or significantly reducing its market share, while also generally acting to depress the prices received by Australia on the world wheat market.

The assertiveness of Congress in making U.S. agricultural trade policy over the 1980s has created difficulties for Australia in its efforts at influencing a change or modification of policy. The Congress has always been a much more domestically-focused political institution than the executive. Agricultural producers have taken advantage of Congress’ focus and proved themselves some of the most articulate and organized and thus the most influential of societal actors towards the Congress. As well, the rural bias of the Senate has assisted U.S. domestic producers in their efforts to influence U.S. agricultural policy-making. Where there has been congressional assertiveness as well as active domestic industry lobbying (as in the sugar and beef), the U.S. executive has been
unprepared to seriously move for reform of a program even where it has openly argued for such reform.

The fragmented congressional system has allowed agricultural commodity programs to be essentially dealt with by the subcommittees of the Agriculture Committees, subcommittees which have proved sympathetic to the commodity programs for which they have been responsible. The sugar and beef import control programs were two such programs which benefited from the decentralized nature of congressional policy-making. U.S. wheat, beef and, particularly, sugar producers have gained from the placing of agricultural trade legislation within omnibus bills. The nature of these bills has encouraged the bargaining for support for commodity programs amongst members of Congress.

While the executive has successfully sought the amendment of the wheat domestic support program to encourage wheatgrowers to be more responsive to the market, it has actively supported and promoted along with Congress the wheat export assistance measures (principally the EEP). U.S. wheat trade policy has reflected the executive’s greater concern at improving U.S. global market share rather than with reforming the protectionist and inefficient nature of the program.

Thus, despite the executive’s free trade rhetoric and greater preparedness to consider the views of foreign, non-disruptive traders such as Australia, greater executive assertiveness in agricultural trade policy-making may well not provide further opportunities for Australia to improve its trading outcomes. For example, the U.S. Department of Agriculture (USDA) as the agency charged with the implementation of most U.S. agricultural commodity programs, has generally adopted a conservative approach to trade policy matters, acting restrictively towards the implementation of import controls and expansively towards the provision of export subsidies. Any greater involvement of the USDA in agricultural policy-making thus may be contrary to Australia’s best interests.

The U.S. agricultural policy-making process has also provided opportunities for, as well as constraints upon, Australia to bargain for an improvement in its trading outcomes. In all three sectors, the relatively open nature of U.S. policy-making has meant that
Australia has been able to access state decision-makers to lobby for the reform of the policies. More importantly, in the sugar and beef sectors, there have been organized and articulate U.S. societal actors opposed to the continuation of the sectoral policies. Australia has sought loose coalitions and information-sharing with these societal actors (especially in the beef sector), seeking to capitalise on the domestic industry credentials of these U.S. actors in order to promote their shared interest in having the U.S. policies reformed.

In the sugar sector, a debate over the sugar program provided an opportunity for Australia to seek to influence a change in policy. Australia has executed a dual strategy of informing state actors of the costs to U.S. taxpayers and consumers of a sugar program which supports inefficient sugar growers, while promoting itself as a relatively efficient exporter deserving an expanded quota share. These messages found a receptive audience in the executive and amongst some prominent members of Congress and have helped, along with the lobbying pressure of U.S. anti-protection societal actors (such as the industrial sweetener users), to keep the sugar policies controversial and susceptible to change.

However, a change in the sugar program is unlikely given the level of influence of the coalition supporting the sugar program within the Congress. Short of multilateral sugar reform the program will only be reformed when it can no longer be sustained by further reductions in the import quota and must make a call on the U.S. budget for support. Australia has targeted the U.S. sugar policy as the most inefficient U.S. agricultural policy which should be removed, if not unilaterally, then as part of a package of agricultural liberalisation coming out of the Uruguay Round.

In the wheat sector, Australia has lobbied hard to have the EEP removed. Representations have been made at the highest levels and often jointly by both Australian Ministers and industry leaders during visits to Washington. The executive's dominance of this policy sector has made lobbying easier, partly because the policy-making is centralised and partly because the executive is generally more attentive to Australian appeals. Australia's concerns about the effects of the EEP have been recognized by the U.S. executive. Many within the executive and Congress have
recognized the EEP as an expensive and highly protectionist program. However, with the program focused primarily upon the perceived predatory practices of the EC and its success in disposing of surplus U.S. grain and in clawing back U.S. market share, the executive is unlikely to heed calls for reform of EEP unless as part of a multilateral reform package.

Acknowledging its frustration at failing to have the EEP amended or removed short of a Uruguay Round agreement, Australia has undertaken an extensive information campaign in Washington against the EEP. This has involved both personal lobbying of influential members of Congress and the executive, and importantly, the wide dissemination of publications, such as those of Australia’s Bureau of Agricultural and Resource Economics (ABARE), detailing the costs of EEP to U.S. taxpayers as well as its impact on Australian exports and the world wheat market. These publicity and lobbying campaigns are further intensified each time the U.S. announces that it will use the EEP in one of Australia’s export markets.

Coupled with Australia’s informing strategy has been its self-promotion as a non-predatory and lightly-subsidized wheat exporter, unfairly caught in the cross-fire between the U.S. and the EC. Australia’s coalition-building, particularly the Cairns Group of Fair Agricultural Traders, has also been an important strategy to encourage U.S. movement towards realistic proposals for agricultural trade liberalisation and the eventual removal of policies such as the EEP. Together with Australia’s self-promotion as an efficient agricultural producer highly committed to multilateral agricultural liberalisation, this coalition-building strategy has formed Australia’s multilateral bargaining approach towards the U.S. for an improvement in its agricultural trade outcomes.

The U.S. steel sector’s program of voluntary restraint agreements was effectively a program of binding bilateral arrangements with foreign exporters of steel to the U.S. The alternative for foreign exporters to signing up to the VRA program was the prospect of harassing and expensive trade suits. The program was predicated on an overall limitation (or quota) on import penetration to the U.S. market. The legislation under which the program was established did not allow the U.S. government a discretion to make special allowance for a reliable, lightly-subsidising small trader such as Australia. For Australia,
the policy was executed in such a way as to be both inflexible and administratively frustrating.

The unfair trade suits which effectively replaced the VRA program in 1992 have also provided little opportunity for Australia to improve its trading outcomes. Like the VRA program, the prosecution of these suits represented a U.S. preference for dealing with ‘import politics’ problems through bilateral means. A procedural bias in these suits in favour of U.S. claimants and a broad definition of ‘material injury’ by the International Trade Commission (ITC) have made it difficult for foreign exporters to escape prosecution.

As in the case of wheat policy-making, U.S. steel trade policy-making has involved the executive taking a leading role in the promotion of a program of protection for the domestic industry. This reflected both executive concern at the U.S.’s role as a steel exporter (rather than as an importer), and sensitivity to domestic industry pressure. Both the executive and Congress have been prepared to provide import relief for U.S. steel producers rather than some other form of legislated or budgetary assistance. Concerned to address domestic industry complaints about ‘predatory’ foreign exporters, neither the executive nor Congress has felt compelled to discriminate in favour of non-disruptive and non-predatory exporters such as Australia.

However, over the late 1980s and early 1990s, prominent members of the U.S. executive and even members of Congress’ steel caucus moved away from providing unquestioned support for the steel VRA program. This provided fertile ground for Australia to lobby for the ending of this program and for U.S. support for the multilateral liberalisation of the steel trade. The debate of the late 1980s between U.S. societal as well as state actors over whether the VRA program should be renewed provided further openings in the U.S. steel policy-making process. Australia sought to exploit these openings to pursue its information campaign as to the costs of the steel policies to U.S. consumers as well as foreign exporters; promote the removal of impediments to multilateral steel liberalisation (such as the VRA program) and; equally importantly, promote itself as a small and lightly-subsidized trader, deserving of exemption from the necessity of entering into a VRA.
With the effective replacement of the VRAs by unfair trade suits in 1992, Australia has lobbied against its inclusion in these U.S. industry suits and has argued that the suits present an obstacle to any multilateral agreement on steel trade liberalisation. Australia’s principal bargaining strategy has been to continue to promote itself as a small, non-disruptive, reliable and lightly-subsidized exporter of steel to the U.S. market. Australia has argued that a category of such exporters should be recognized by the U.S. and that members of this category (including Australia) should be exempted from the application of unfair trade suits before the ITC. As in the days of the VRA program, lobbying on behalf of Australia (be they embassy staffers or BHP’s own Washington lobbyist) has concentrated upon the executive branch, from which a change of policy was considered more likely to come.

While U.S. international air passenger transport policy has ostensibly sought to gain more liberal bilateral air service agreements and has argued for an expansion of opportunities for its carriers on Pacific routes (as elsewhere), the U.S. has been highly protective of access by foreign carriers to its own domestic market. The U.S.’s trading of rights approach to the granting of access to its own market (and restrictions on the granting of cabotage to foreign carriers) has meant that Qantas Airways has found it difficult to make its services to the U.S. cost-effective.

Policy-making in the international air passenger transport sector has been centralised in the executive (particularly the Departments of State and Transportation). With Congress taking little or no interest in the policy-making process, (apart from placing additional political pressure upon the executive), societal actors (principally the airlines) have been able to focus their attention almost solely upon the executive and its bureaucratic agencies and develop informal networks with the relevant state actors. Control has been left in the executive’s hands so long as it has acted within the general pro-competitive/trading of rights policy framework. The approach, like that in wheat, has been export-oriented and has focused, understandably, upon improving U.S. market share on international routes rather than with the issue of foreign carriers’ access to the U.S. market.
There have been extensive opportunities for the U.S. airlines to influence U.S. negotiating positions. The airlines’ industry organization has occupied a place on the permanent group which has negotiated the bilateral agreements for the U.S. while the major airlines whose route and capacity entitlements were being negotiated have always been in the background, consulted and briefed at various stages of negotiations. Public hearings have also provided opportunities for a range of societal actors to inform, advise and influence executive state actors in respect of forthcoming bilateral negotiations.

The export policy orientation of the U.S. international aviation sector, the centralised nature of the policy-making process and the close relationship between U.S. state actors and the major U.S. airlines, have all acted as constraints upon Australia in its efforts to improve trading outcomes by direct approaches to the U.S. government.

The formal bilateral bargaining process has, however, placed Australia in a more equally competitive position with the U.S. and has provided the avenue through which Australia has been able to mobilize sectorally-specific resources and devise strategies towards an improvement in outcomes. Australia has, for example, been able to exploit the U.S.’s need of an agreement to promote its high level of commitment to a capacity clause and to ensure that all future capacity developments be considered by government-to-government negotiations.

**Bargaining between Australian state and societal actors**

Australia’s bargaining with the U.S. for an improvement in trading outcomes has also been affected by the domestic bargaining relationship between Australian state and societal actors in each of the sectors. Societal actors within each sector have sought not only involvement (with varying degrees of success) in the formulation of Australia’s trade policy towards the U.S., but have played a role in the mobilization of issue-specific resources and the development of strategies towards an improvement in Australia’s returns.

In each of the sectors, Australia’s trade policy has been formulated principally by state actors. Likewise, within the bilateral and multilateral approaches to improving trading
outcomes, Australian state actors have retained control over the formulation and implementation of policy. However, there have been sectoral variations as to the degree of control exercised by state actors and conversely, differences in terms of societal-actor influence in the formulation of strategies to improve trading outcomes.

State actors have exercised greater control in the agricultural sectors and in international aviation trade policy-making than in the steel sector. Within the agricultural sectors, the Australian government has had greater freedom to move on policy in the wheat and beef sectors than has been the case in sugar. These differences relate partly to the nature of the industry. For example, BHP has been the major steel producer and only exporter in an industry considered of strategic importance. The steel and, especially, the sugar industries have also had both locational and historical characteristics which have enhanced the role of producers while the involvement of the Queensland Government in sugar policy-making has also been a significant factor in determining state-societal actor relations.

In all of the sectors, certain societal actors (usually the producer interests) have had privileged access to those state actors making trade policy. This may have been formalized as in the case of the Rural and Allied Industries Council, the Queensland Sugar Corporation, representation on the AWB and the AMLC or Qantas’ representation on negotiating panels. As well, there has been informal networking between state and societal actors within each of the sectors. This has provided opportunities for these societal actors to not only influence the making of Australia’s trade policy but to also influence the state-actor trade strategies.

Australia’s trade policy framework, as established by state actors over the past decade or so, has been directed at generally applying an economic rationalist philosophy towards the reduction of levels of protection and support for Australian export (as well as import-competing) industries. All industries studied have been considered part of the Australian economy and not immune from the perceived need to undergo structural adjustment to make them more efficient and productive. Societal actors, while consulted in the course of trade policy-making, have come to appreciate that this consultative role has come at the price of their industries’ conformity to the Australian government’s economic rationalist policy framework.
As something of a trade-off for the conformity of Australia’s export industries to this trade policy framework, Australian state actors have engaged in trade promotion activity including both the promotion of Australia as an efficient and lightly-subsidised exporter and that of the liberalisation of global markets. Rather than insulating Australian industry from the global market (which had been the previous policy), the Australian government sought to both advance Australia’s export interests and lobby for the removal of barriers to export markets. This has particularly been the case with respect to the wheat and beef and, to a lesser extent, sugar industries. The steel industry, while having been supported during the Steel Plan, has also been promoted to both the U.S. and globally as efficient and lightly-subsidised.

In the international aviation sector, state actors have increasingly considered the airlines (until recently only Qantas) as only one economic interest among many deserving of promotion in bilateral negotiations. The economic restructuring and eventual privatisation of Qantas, together with the adoption of a competitive multiple designation policy, have all been carried out pursuant to the Australian government’s liberalisation agenda. However, in contrast to the other sectors, this has not provided Qantas (or for that matter any other airlines) with privileged access to the Australian policy-making process. Australian state actors’ desire to promote travel and tourism to Australia has enhanced the importance of the aviation industry, but not that of the individual carriers. While the Australian government has sought to maximize the export revenue from this increased travel and tourism and has certainly moved towards a more liberal interpretation of bilateral aviation agreements, it has yet to reconcile this with strategies aimed at maintaining, if not increasing, the market shares of Australasian carriers.

Societal actors have served to enhance Australia’s state-actor bargaining with the U.S. through their provision of the commercial intelligence on developments in U.S. and global markets. In the wheat sector, information and analysis supplied by the AWB has provided valuable supporting evidence to Australia’s arguments that U.S. wheat policy has had a damaging effect upon Australia’s market share and upon world wheat prices. Likewise, BHP’s commercial information and analysis on the U.S. and world steel markets has been necessary to substantiate Australia’s claims that Australia’s industry has become efficient and should not be classed as a predatory trader.
Information supplied by the AMLC to the Australian government on the quantity and timing of beef shipments to the U.S. has supported Australia's claim that the operation of the U.S. beef VRA has continued to have a disruptive and costly effect upon Australia's cattle growers. CSR has performed a similar role in supplying information to the U.S. as to the efficient nature of the Australian sugar industry while also supporting the Australian government's claims as to the harm caused to Australia by both the reduction of the sugar quota and the depressing effect of the U.S. sugar support program on world sugar prices.

Increasingly, the commercial intelligence provided by societal actors in all sectors has become a necessary component of three important strategies adopted by Australia to promote the amendment, if not removal, of protectionist U.S. policies: informing the U.S. of the inefficient nature of its programs and their costs to U.S. taxpayers and consumers; Australia's promotion as an efficient and lightly-subsidised exporter; and in emphasising Australia's commitment to a liberalised international trading system.

Many societal actors have not found the Australian government's liberalising strategy a very comfortable one. However, the mutual interests of Australian state and societal actors in seeking improved trading outcomes with the U.S. (as well as globally) has prompted a new accommodation between these actors (except in the international air passenger transport sector). What is important to note, however, is that each sectoral accommodation of interests has resulted from these societal actors having bargained their information, advice and general political support in order to maintain or further extend their access to the Australian trade policy-making process.

I ideas and Perceptions and Australia's Bargaining

Australia's efforts to improve its trading outcomes with the U.S. have been affected by certain ideas prevalent within the global political economy. Of particular interest have been those ideas which have, over time, affected the policy positions adopted by both state and societal actors in Australia and the U.S.
During the postwar period, ideas of liberalism and free trade have become dominant in the international trading system. The U.S. played the major role in the establishment of an institutional framework which would reflect the dominance of these ideas. The GATT became the principal trade regime and was given the brief to promote the liberalisation of global trade. While the GATT norm of liberalisation has, from the beginning, been compromised in the practices of states, the general adoption of the ideas of freer trade by the major western countries has served to place mercantilist ideas on the defensive.

Australia has itself changed its multilateral approach in the 1980s, having been prompted by GATT’s failure to deal with nontariff barriers to agricultural trade. This new approach involved effectively foregoing concessions to keep tariffs on domestic manufacturing in order to advance greater liberalisation seen as essential for its agricultural exports. As part of this overall approach, Australia undertook a process of coalition-building which resulted in the role of the Cairns Group as a ‘third force’ promoting agricultural trade liberalisation in the Uruguay Round of GATT talks.

The institution of the GATT and particularly its most recent manifestation, the Uruguay Round of multilateral talks, has served to direct states’ attention to the need for trade liberalisation. The placing of agriculture on the Round’s agenda has been seen by Australia as providing an important opportunity for the promotion of more liberalised trade in all agricultural sectors. Of all the sectors studied, wheat has offered the best prospects of reform through the translation of ideas of trade liberalisation into the multilateral removal or reduction of domestic industry support measures.395

Liberalisation of the U.S. steel market through a Multilateral Steel Agreement does not offer Australia nearly the same benefits as agricultural reform, while there is even less of a likelihood that the promised liberalisation of a successful GATT Round will improve Australia’s share of the Australia-U.S. aviation market. In the aviation sector, Australia has been lukewarm to allowing ideas of liberalisation to seriously affect the bilaterally-determined outcomes unless they offer the prospect of delivering improved access by Australia’s carriers to the U.S. domestic market.
Australia’s reduction of industry protection, influenced as it has been by international ideas of economic rationalism and liberalisation, has been used by Australian state actors to support its arguments for the removal by U.S. state actors of their own domestic distortions to free and open trade, particularly in the agricultural and steel sectors.

Australia’s approach to the U.S. in the aviation sector does not, however, fit well within this pattern. Despite the economic restructuring of Qantas Airways and the adoption by Australian state actors of a broader, more liberal approach to negotiating aviation rights, Australia has continued to have a mixed view of the benefits of economic liberalisation within this sector.

Taking account of sectoral variations, Australia’s application of these ideas of liberalisation and rationalisation to make its domestic industries more responsive to international market forces has been used to promote Australia’s own (relatively) efficiently produced exports and high level of commitment to international liberalisation: two important strategies in Australia’s bargaining with the U.S.

The adherence of many U.S. state actors to the ideas of liberalisation, as promoted both within and outside the GATT, has been considered as providing fertile ground for Australia to promote studies indicating the cost to U.S. taxpayers and consumers of U.S. agricultural and steel policies. However, the extent to which U.S. state actors were prepared to pursue reform, especially in the face of opposition from powerful societal actors and a compliant Congress, varied across sectors.

Only in the steel sector with the 1992 expiration of the VRA program (and to a much lesser extent in the wheat sector) was there evidence of state actors successfully acting contrary to powerful societal actors. U.S. debates within the sugar and steel sectors over the 1980s also provided opportunities for the influence of ideas of liberalisation as anti-protectionist U.S. societal actors became more organized and articulate.

Against the influence of ideas of liberalisation has been the growing trend towards neomercantilism within U.S. trade policy-making. This has been particularly strong in the wheat (export subsidies to win market share), sugar (artificial support to the U.S. sugar
price) and steel (the ‘process protectionism’ of the unfair trade suits) sectors while the ‘negotiated’ protection of both the previous steel VRA and that of the beef VRA program and the restrictions on access to the U.S. domestic market for foreign airlines have all exhibited neo-mercantilist sentiments. U.S. protectionism generally has been fuelled by like developments within the EC and Japan. While the protectionist trend of the programs in each of the sectors (other than aviation) have been defended as being in place to lever reform from other traders within the GATT talks, they have each served to exacerbate Australia’s trade problems.

The perceptions or beliefs of the policy-makers in each of the two countries have served to influence Australia’s bargaining with the U.S. In a limited sense, perceptions and beliefs can help to explain both the opportunities and difficulties faced by Australia in its bargaining. While it has been beyond the scope of this study to consider the cultural backgrounds and personal experiences of each country’s policy-makers, these personal factors can influence how each individual or group of policy-makers will see an issue and what, if anything, each believes should be done to improve trading outcomes.

That U.S. state actors did not perceive the problems of market access and market prices faced by Australia in each of the sectors were as serious as claimed, has been a common cause of concern for Australian state and societal actors. The case of the U.S. government’s dismissal of Australian concerns as to the effect of the U.S.’s EEP program for wheat exports was the most glaring example of a difference in perception which impeded Australia’s bargaining. To a large extent, this situation was rectified through an Australian campaign to detail the effect of subsidised U.S. wheat sales upon Australia’s export market share and the world wheat price.307 A strategy of informing U.S. state and societal actors of the cost and inefficiency to U.S. consumers and taxpayers of U.S. agricultural and steel programs has also been an important weapon used by Australia to counter misperceptions about the effect of the sectoral programs.

Australian interests have also been harmed by U.S. state actors’ failure to recognize that the trading practices of certain steel exporters, including Australia, have not been predatory and, as small suppliers, deserve to be considered for special dispensation from the application of the U.S. unfair trade laws.
The beliefs and perceptions of U.S. policy-makers (as with all policy-makers) are often mixed and cannot be easily separated from their resultant courses of action. This has made lobbying by Australia for a change of policy that much more problematic. In the agricultural and steel sectors, Australia has, over the late 1980s, intensified its lobbying and information campaigns to highlight the trading problems which have arisen from the nature and effect of U.S. programs. However, even where some alteration in the perceptions of U.S. state actors has occurred, Australia has not had the political resources necessary to complement its information campaigns and prompt a change in any of the sectoral programs of this study.

The aviation sector has provided unique opportunities for Australia to correct some perceptions of U.S. policy-makers and promote others more conducive to the improvement of Australia’s trading outcomes. These have arisen because of the important role performed by the bilateral negotiation process in the determination of outcomes. Australia’s termination of the 1980 Agreement with the U.S. in 1987 certainly corrected the U.S. misperception that Australia was not serious about its concerns over route capacity. More importantly, within the negotiation process, there were opportunities to promote certain perceptions within the minds of the U.S. negotiators, such as in 1988 when Australia convinced the U.S. that a capacity regulatory mechanism was essential for an agreement.

Equally, the negotiation process can produce misperceptions in the minds of the other party’s negotiators which have caused subsequent problems. For example, in negotiations over Northwest Airlines’ rights to fly on the Sydney to Tokyo route, Northwest Airlines and the U.S. negotiators had been led to believe that Australia would not enforce the requirement that a certain minimum percentage of passenger traffic be Australia-U.S. through traffic. As the subsequent dispute showed, such misperceptions (deliberate or otherwise) as to Australia’s position can have a deleterious effect upon relations and potentially jeopardise trading outcomes.
Australian trade policy-making: state actors, institutional structure and domestic bargaining

This study of Australia's trade relations with the U.S. has also involved an examination of Australia's trade policy-making process, both generally and with particular reference to the five sectoral studies. It provided an opportunity to assess the relative importance of the roles performed by state and societal actors, the impact of their institutional context, and other international and domestic influences upon policy-making.

State actors stand in a unique position in that they have been principally responsible for both the formulation and implementation of Australian trade policy and have taken the lead in both domestic and international bargaining. State actors' position of dominance within the Australian trade policy-making process has been assisted by the fact that the Westminster system of government has centralised power within the executive. While societal actors have accordingly focused their attention on the executive and the bureaucracy rather than divide it between the government and the legislature, state actors within the executive branch have been in a stronger position than if there had been a serious sharing of power between the executive and legislature.

The position of state actors in the formulation of policy has been strengthened by the adoption of the ideas of economic rationalism and trade liberalisation as official policy. Aware of Australia's economic vulnerability, not only with respect to trading with the U.S. but globally, Australian state actors began to respond positively to structural changes in the international economy. These responses, in the form of domestic economic adjustment, sought to open up Australia and make the domestic economy more compatible with the international economy, thereby enabling it to cope more effectively with these changes.

Australia's adjustment strategy (in particular, tariff reductions and industrial restructuring) while somewhat delayed in being introduced, served to complement Australia's efforts in the late 1980s to use what resources it had to promote international trade liberalisation through the then new multilateral GATT Round of talks. As Australia has sought to improve its access to the U.S. market as well as remove U.S. export subsidies, as discussed in this study, it has used its own unilateral strategy of
liberalisation as proof of its commitment to a multilateral liberalisation (as part of an overall strategy of self-promotion as an efficient, lightly-subsidised exporter) in sectors, especially agriculture, where Australia has suffered from U.S. protectionist policies (amongst others).

Australian societal actors involved in the five industry sectors studied have conditioned their demands upon Australian state actors to not only the relevant global developments but, more particularly, to the state-actor imperative that state assistance to industry conform with global economic liberalisation.\textsuperscript{308} The Australian National Farmers Federation, for example, has been mindful that any demands for assistance for agriculture would not be allowed to act in such a way as to insulate Australian primary industries from their respective global markets. BHP as the major player in the steel industry was likewise well aware that assistance given in the early 1980s by means of the Steel Plan was for a limited time and conditional upon the meeting of certain commitments by both industry and the relevant unions. In the international aviation sector, Qantas and other societal actors have had to compete for the attention of state actors as the Australian government has sought to advance a broader range of economic interests (most notably increasing travel and inbound tourism) through national aviation policy.

State actors in each sector have been principally responsible for the strategies devised to seek to improve the outcomes from Australia’s dealings with the U.S. In bargaining with the U.S. for an improvement in Australia’s trading outcomes, state actors have also had their position strengthened (vis-a-vis Australian societal actors) by the nature of the U.S. trade policies and programs in some of the sectors. The U.S. administration’s policy of negotiating steel voluntary restraint agreements with other governments meant that BHP, Australia’s steel exporter, had to liaise more closely with Australia’s state actors than had previously been necessary.

Likewise, Australian state actors negotiated the beef voluntary restraint agreement with the U.S. as well as Australia’s share of the U.S. sugar import quota. While the nature of these U.S. programs have provided little latitude for the exercise of the Australian state actors’ political and negotiating skills, their negotiating role has enhanced their
position within the Australian domestic bargaining process. The nature of the international aviation bilateral negotiations has always meant that state actors have exercised an important role in Australia’s trading of aviation rights.

The institutional structure within which Australian trade policy has been made has been capable of not only conditioning the behaviour of state and societal actors but also of influencing how these actors interact and how much power each has had within particular policy sectors. The institutions can confer authority upon certain state actors, such as members of the bureaucracy, and legitimacy upon certain societal actors (principally through privileged access).

The Australian government’s apparently overriding concern with adjusting the structures of the Australian economy to make them more responsive to the global marketplace has served to enhance the already powerful position of the Treasury both within the federal bureaucracy and within economic policy-making circles.  

Within the sectors examined in this study, some institutions have been able to condition the demands for protection made by societal actors upon the state. The Australian Industry Commission (IC) has been the most important institution in this regard. The removal of almost all protection from Australia’s agricultural industries owed much to the influence of the IC upon the Australian government and, with the partial exception of sugar, societal actors in these sectors have been unable to withstand this anti-protectionist thrust.

The IC’s anti-protectionist campaign brought Australia’s national carrier, Qantas Airways, within its sights over the late 1980s. The Commission’s arguments that Australia’s international aviation policy must move away from protecting the airline and take a broader range of economic interests into account undoubtedly influenced subsequent decisions of the Australian government to encourage competition among Australasian carriers on international routes.

Institutions can also favour some societal actors over others. The Australian Steel Industry Authority (SIA) established to oversee the 5-year Steel Plan, was one such
institution which favoured the steel industry (principally BHP) and steel unions but did not include the steel-using industries. In the agriculture sector, producers have representatives on the Rural and Allied Industries Council but agribusiness and consumers, for example, are not represented despite their legitimate interest in this sector. In the international aviation sector, a recently established International Air Services Commission (IASC) has already begun to condition the behaviour of both Qantas and new entrants as they jostle for route entitlements.

The institutions of the Australian state can influence not only the strategies adopted by Australian state and societal actors within the domestic Australian political economy, but also the type of strategies adopted to improve outcomes in international negotiations. The anti-protectionist thrust of Australian institutions, such as the Industry Commission (IC) and the Australian Bureau of Agricultural and Resource Economics (ABARE), contributed to Australia’s high level of commitment to trade liberalisation and the concomitant informing strategy used to promote such liberalisation both in the U.S. and elsewhere.

The contribution of the institutional approach to explaining Australia’s trade policy-making must be modified to take account of the fact that institutions themselves change over time and are capable of being affected by both international and domestic influences beyond their control. The influence of institutions has been found to vary across sectors and bears some relation to the nature of the interaction between state and societal actors within that sector. In the steel sector, for instance, the relationship between state actors and societal actors (especially BHP) was such that the influence of the IC over policy-making was much less important than in the case of the agricultural sectors, where societal actors were generally less significant.

Societal actors have also performed an important role in the Australian trade policy-making process and in approaches made to improve trading outcomes. While their effectiveness has varied across sectors, an understanding of the interaction between state and societal actors within each sector has been critical to obtaining a complete explanation of the nature of Australian trade policy and how it has been made.
While Australian state actors have taken the lead role in the formulation and implementation of trade policy, they have needed to accommodate the interests of important Australian societal actors in order to effectively perform these roles. The bargaining process within each sector has determined the nature of this accommodation between state and societal actors and has influenced the nature of policy produced. The extent to which societal actors can influence state actors in the exercise of their policy-making functions will admittedly vary across sectors and over time.

In the steel sector, the Hawke Government sought to provide some assistance to the steel industry without, at the same time, insulating it from the world market. BHP, the largest actor in the industry, strengthened the state’s position by agreeing with the industry’s unions to the proposal for a five year plan, despite its own publicized request for 10 years of assistance. Their willingness to compromise enabled the Australian government to implement its 1983 Plan and move ahead with its industry reform agenda. In this way, societal actors can provide necessary support to state actors in both the formulation and implementation of policy choices. Societal actors can, however, also have the opposite effect. In the sugar sector, the cane growers together with a subnational state actor (the Queensland state government), have thwarted moves by the Australian government to bring comprehensive reform to the sugar industry.

Political and economic circumstances have obviously been critical in determining the success of societal-actor strategies in influencing the choices of state actors. Despite Qantas’ economic restructuring and public endorsement of the Australian government’s policies of multiple airline designation and greater competition, Qantas has been unable to influence any aspects of the government’s new policy. The Australian government has remained steadfast in its belief that the economic gains to be made from competition amongst Australasian airlines and from the promotion of travel and inbound tourism outweigh the economic returns from protecting Qantas’ hitherto unique position.

In all sectors of this study there has been a recognition by Australian state actors of the importance of the market (be it the U.S. or global market) and the need to be apprised of developments within each relevant market. Important Australian societal actors in each sector (usually the dominant industry actors) have operated as autonomous, or
partially autonomous, commercial undertakings within these markets and have provided
the necessary commercial intelligence required by government in its bilateral and
multilateral bargaining.

This market intelligence has assisted in the devising of strategies by Australia towards
the maintenance or improvement of market share. This information has been used both
directly in sectoral bargaining and indirectly (except in the international aviation sector)
as ammunition to promote both Australia’s relatively subsidy-free industry and non-
disruptive market presence and, more generally, global market liberalisation. In the
wheat sector, for example, the Australian Wheat Board (AWB) has provided the
necessary market intelligence for the Australian government to assess the likely impact
of the U.S. wheat export subsidies and other global developments upon both Australian
exports and the world wheat price. In the beef sector, the Australian government has
relied on another statutory authority, the Australian Meat and Livestock Corporation
(AMLC), to monitor the U.S. domestic beef market and Australia’s beef exports to that
market to assess if and when the beef import quota will be reached for any year.
Through its New York office, the AMLC has also directly promoted the Australian
product in the U.S.

Societal actors have also been able to secure favourable decisions, if not preferential
treatment, by state actors because of their capacity to marshall electoral support for or
against a government policy position. The promise of electoral support (financial or
promotional) or the threat of adverse publicity and promotion of political opponents may
well have induced state actors to take notice of the demands of particular societal actors.
Mass unemployment in certain government-held electorates would have resulted had
BHP carried out its threat to close its integrated steel mills in early 1983.\textsuperscript{312} This threat
was considered serious enough for the Australian government to decide to ignore advice
from bodies such as the Industry Commission and propose a recovery plan for the steel
industry. Likewise, the canegrowers were able to secure a freeze in the sugar industry’s
tariff reduction program by threatening an electoral backlash in several critical
government-held seats in the 1993 Australian election.\textsuperscript{313}
Whether state actors have had to accommodate the interests of societal actors in the making of Australian trade policy has largely depended upon whether it has been a policy area where state actors have traditionally relied upon the information and expertise which only societal actors can efficiently and accurately provide. The agricultural sectors and the steel sector have been important in this regard. Another factor determining the influence of societal actors has been the extent to which they have been organized and articulate in both their representative and policy advocacy functions. Societal actors in each of the agricultural sectors have been effective advocates of the interests of their constituents and have pressured the Australian government to maintain the ‘political heat’ on the U.S. over a number of protectionist programs.  

The industrial organization of societal actors has also been important in determining how influential they have been in Australian export policy-making. In the wheat and beef sectors, two statutory authorities (the AWB and the AMLC respectively) with sole export marketing rights have used their market position and market intelligence to bargain for influence in the Australian policy-making process. In the steel and sugar sectors, two independent corporations (BHP and the Colonial Sugar Refining Company (CSR) respectively) have been in an even stronger position having traditionally acted independently from state actors as the sole Australian exporters into the U.S. market, as well as globally. Over the period of this study, these corporations traded their market information and analysis for influence and generally cooperated with Australian state actors in the making of the government’s trade strategies towards the U.S.

**Alternative regional and bilateral arrangements**

Partly as a result of the frustration in securing an improvement bilaterally in trade outcomes with the U.S. and partly from concern over the nature and extent of the reform package to result from the current GATT talks, Australia has been keen to link the U.S. into the Asia Pacific Economic Cooperation (APEC) initiative. While not argued in terms of removing U.S. protectionist policies (or of those of other economies in the region), part of Australia’s interest in advancing the cause of APEC is to promote  

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liberalisation in all, but especially the most powerful, economies of the Asia-Pacific region.\textsuperscript{315}

APEC is particularly important for Australia in that it includes both Japan and the U.S., its two major trading partners. This form of economic regionalism has also been advanced by Australia because, as J.L. Richardson has suggested, it may be an insurance policy against Australia being left out of a number of developing trading blocs, especially the EC and the North American Free Trade Agreement (NAFTA).\cite{Richardson, 1991, 296}

In respect of its trade problems with the U.S., the APEC ‘movement’ offers Australia the prospect of helping to arrest the drift away from a ‘rules’ based trade policy by the U.S. (as under the GATT) to a greater use of U.S. economic power in determining trade outcomes. However, as Stuart Harris has recently commented, if the U.S. does undertake the necessary domestic adjustment, this itself may encourage further U.S. domestic protectionist pressures.\cite{Harris, 1991, 43} In such a scenario, the solution to Australia’s trade problems with the U.S. may lie with the relative influence of U.S. societal actors favouring free trade and internationalisation over protection.

As with APEC, a thorough consideration of a possible Australia-U.S. FTA or the North American Free Trade Agreement (NAFTA) upon Australia’s trade outcomes with the U.S. has been beyond the scope of this study. However, upon brief examination, a Free Trade Agreement (FTA) with the U.S., as a means by which Australia could seek to improve its trade outcomes, would most certainly be of greater economic consequence to Australia than the U.S. While the U.S. is a major market for Australia, the Australian proportion of overall U.S. imports is quite insignificant.\textsuperscript{316} More importantly, the chances of an FTA providing the requisite benefits for Australia are diminished by the fact that, as this study illustrates, the major barriers to Australian exports continue to be in the form of nontariff restrictions in sectors which are particularly sensitive politically. If NAFTA can be taken as a guide, then an FTA with the U.S. would probably exclude reference to such sensitive policies and programs.
If any of these nontariff barriers were removed for Australia as part of an FTA (not a very likely scenario) or preference was given to Australia within the existing nontariff barriers, then, as Richard Snape has argued, those countries already enjoying U.S. concessions, such as Canada, Israel or certain Caribbean countries, would be justified in arguing that the FTA effectively undermines their position in those products in which they directly compete with Australia.[Snape, 1989] In the sugar and beef sectors, for example, Australia has been a significant exporter to the U.S. and open access under an FTA could result in a direct threat to the nature of the U.S. sectoral support structures, thus inviting considerable domestic U.S. political reaction. The problem for Australia is that an FTA without agricultural trade liberalisation is of no value, while that is one area where there would be intense resistance to change from within the U.S.

The debate over whether Australia should join with the U.S. in an FTA has been overtaken by events, notably the U.S.-Canada FTA and its expected conversion, with the addition of Mexico, into NAFTA. Almost all of Australia’s major exports to the U.S. are in competition with Canadian or Mexican exports and U.S. import barriers (of a nontariff nature) are important for many of these products. However, while there would be both direct, indirect and possible systemic effects for Australia from the formation of this bloc, this does not mean that Australia is a logical future member of NAFTA (in terms of geographical location or trade profile).[Snape, 1993]

With the chance still remaining of a successful conclusion to the Uruguay Round, moves towards joining NAFTA (despite the difficulties for Australia) would be premature. Multilateral trade liberalisation via the GATT Round would seem to still be Australia’s first best option for improving trade outcomes, both in respect of the U.S. as well as globally. Australian moves towards NAFTA could prove counterproductive at this stage, possibly being viewed as contributing to any ‘trade diverting’ signals which the present NAFTA negotiations may be sending to countries of the Asia-Pacific region and elsewhere. This could damage Australia’s case for the successful conclusion of the GATT Round while not providing any compensatory benefits. As a recent Australian government-commissioned report argues, preferential agreements such as NAFTA should be carefully assessed before joining to see whether in operation they are compatible with the multilateral trading system.[Snape et.al., 1993]
This study of Australia’s trade policy-making towards the U.S. has examined how Australia has sought to bargain for an improvement in its trading outcomes with the U.S. Australia has devised various bargaining strategies within either its bilateral and/or multilateral approaches to attempt to take advantage of opportunities offered and to counter problems experienced in its trade with the U.S. The five sectors of the study have been drawn from agriculture, manufacturing and service industries and have provided important illustrations of the types of problems experienced by Australia in trading with the U.S. over the past decade.

The asymmetrical power-capabilities of Australia and the U.S. within the structure of the global political economy has certainly been important in shaping outcomes and in providing the context within which their trade relations have been conducted. However, the states’ relative power-capabilities should not be seen as determining sectoral outcomes for within each sector a bargaining process between Australia and the U.S. has acted as an intervening variable between power-capabilities and trading outcomes. In the aviation sector a particularly formalised bilateral bargaining process has placed the two states in an even more competitive position, each with a high degree of control over bargaining outcomes.

Within each Australia-U.S. bargaining process, the opportunities available for and constraints upon Australia improving its sectoral trade outcomes have been determined by the nature of the U.S. sectoral trade policy and process; the nature of the domestic bargaining process between Australian state and societal actors; and to a lesser extent, prevailing ideas and the perceptions of the negotiating parties.

Whether Australia has sought to increase its share of the U.S. import market (as in its sugar, beef and steel trade), its share of a global export market (as in its wheat trade) or its share of trans-Pacific aviation rights, it has found it necessary to attempt to exploit those opportunities offered from within the U.S. policy-making process. The relatively open nature of that policy-making process and ease of access to decision-makers in most of the sectors has allowed Australia to intensify its lobbying over the 1980s. These lobbying opportunities have enabled Australia to apply its strategies of self-promotion
as a relatively unsubsidized trader and loose coalition-building with U.S. societal actors opposed to particular U.S. trade policies, as well as its informing strategy to support those state and societal actors in favour of free trade.

In bargaining with the U.S. for an improvement in its trade outcomes, Australian state actors have needed, with some variation across sectors, to accommodate important Australian societal actors in return for market intelligence and electoral support. This accommodation has not only affected the nature of the bargaining strategies adopted by Australia to seek to improve trading outcomes, but has been necessary for the effective implementation of these strategies.

Trading with the U.S. over the 1980s and into the 1990s has been fraught with difficulties for Australia. There have been enduring problems which have been supplemented by the growth in various forms of old and new U.S. trade protectionism. The task of seeking to overcome these difficulties and advancing Australia’s trading interests has continued to be conducted within the framework of broad bilateral and multilateral approaches. However, as this study has shown, Australia’s bargaining with the U.S. for an improvement in outcomes has increasingly focused upon addressing problems and capitalising on opportunities as these have appeared within each sectoral bargaining relationship. The story of Australia’s trade policy-making towards the U.S. has become one which must be told in terms of bargaining strategies developed to maximize the opportunities and minimize the obstacles to an improvement in Australia’s sectoral trading outcomes.
NOTES

295. Further recent evidence can be found in Australian Prime Minister Keating’s downplaying of the U.S. antidumping duties against Australia as being ‘normal trade shenanigans’ and his statements during a recent visit to Washington where he emphasised the Australian and U.S. interest in Asia-Pacific Economic Cooperation (APEC) rather than the problems of access to the U.S. market for certain Australian exports.[Tingle, 1993]

296. At 30 June 1993, Australia’s trade deficit with the U.S. for the previous 12 months had risen to AUD$8.1 billion.[Department of Foreign Affairs and Trade, 1993d, 5]

297. As Richard Snape has pointed out, even after the late 1980s program of Australian tariff reductions has been completed, U.S. tariffs will still be lower than Australia’s for most products.[Snape, 1989, 171]

298. For example, while all states are formally equal under Article XIX of the GATT (the emergency clause which allows import restrictions if domestic producers are being injured), a weak exporting country can do very little if the stronger importing country seeks to maintain its protection on a long-term basis. Reciprocity may be available to the weak exporter under the GATT but is of little practical use given that country’s relative weakness.

299. An important example in the case of the GATT was the agricultural waiver which the U.S. gained in the early days of the regime.

300. Similarly, Australia was able to influence the agenda of the multilateral talks on agricultural reform in the Uruguay Round through its leadership of the Cairns Group.

301. Even when the U.S. changed the quota to a tariff-quota, following a GATT panel decision against the U.S., this instrument proved to be just as restrictive to foreign sugar exporters.

302. In effect, few members of Congress actually considered each agricultural program on its merits, and where they did, the decision-making was more often than not the subject of bargains and trade-offs with supporters of other commodity programs.

303. It should also be noted that the nature of the domestic bargaining relationship within each sector will itself be affected by the degree of success or failure which Australia has experienced in dealing with problems created in exporting either to the U.S. market or to the global market.

304. The work of the Australian Trade Commission (Austrade) as the government’s trade promotion arm and the Australian government’s export financing provisions have been important aspects of this policy.

305. Due to both the nature of the support programs and the nature and level of their support, neither the sugar nor beef programs offer the same prospects for multilateral reform.
306. This anti-protectionist position has since been seriously undermined by the subsequent acquiescence of U.S. state actors in the U.S. steel industry’s prosecution of unfair trade suits.

307. This campaign may have been a factor in the Clinton Administration not extending the EEP program to the Indonesian wheat market, an important one for Australia, as originally expected.

308. With the attempted implementation of domestic adjustment strategies by Australian state actors, it has become more difficult for societal actors to claim that their industry sector should remain separate and apart from the rest of the Australian economy and insulated from global economic developments.

309. The ‘colonization’ of ‘econocrats’ from the Treasury to other important posts throughout the bureaucracy has further heightened the influence of this agency and its policy preferences in the making of national economic policy.

310. Agricultural industries, apart from calls for continued marketing regulation and certain forms of temporary relief in some sectors, have joined the anti-protection lobby calling for the removal of all industry assistance (which would, not coincidentally, reduce the costs of their inputs).

311. Even the trade sale and planned float of Qantas have been conducted by state actors without reference to the stated views of the airline’s management.

312. More generally, the Australian government was anxious to be seen to be supporting manufacturing industry and their employees.

313. While the Hawke and Keating governments have not relied on the rural vote, there have been a number of country-based federal seats where the electoral outcome has been directly affected by the prosperity or otherwise of particular rural industries. As well, Australian governments of the 1980s and early 1990s have been keen to appear sympathetic to the plight of the farmer and to secure his/her support for the continuing program of microeconomic reform.

314. The National Farmers Federation and the Grains Council of Australia have been particularly effective in pressuring the Australian government to lobby against the U.S.’s Export Enhancement Program.

315. Australia’s promotion of regional liberalisation has also been linked to its strategy of self-promotion as a country having converted to liberalisation and undergoing domestic economic restructuring.[see, for example, Higgott, 1991]

316. Australia has been supplying a smaller proportion of imports to the U.S. than it has globally and there has been a distinct trend away from exporting to the U.S.

317. It should also be noted that the prospects for new FTA negotiations between the U.S. and any other country are remote in the near future. They would need a further renewal of the fast-track authority in U.S. trade law and such renewal is not expected to be considered favourably by the Congress for either regional or bilateral negotiations.[Hufbauer and Schott, 1993, 153] As well, it appears that any
new member of NAFTA would be confronted with accession provisions different from those for the founding members.[Snape et al., 1993]