Changes in global trade shaping the Australian economy

Trade brings transformational change through:

- Economic efficiency
- Market opportunities
- More products Lower prices

International trade is almost 40% of our economy

Opportunities:
- Proximity to Asia
- Growing demand for our services export

Challenges:
- Australia’s distance from global markets
- Limited range and ubiquity of Australian exports

Strengths:
- Iron ore
- Coal
- LNG

Government’s role is to:
- lower barriers to trade
- facilitate structural change

Changes in global trade shaping the Australian economy
The way the world trades is changing. Global trade is shifting to Asia as China grows and integrates quickly. Services, particularly as inputs to final goods, are increasing in importance to trade as developing economies improve their labour force capabilities and move up the value chain.¹

New technologies and changing tastes have influenced what is traded and afforded Australian businesses new market opportunities in the Asia-Pacific region. China’s middle class is growing rapidly and its population is ageing, increasing demand for the premium-quality products and world-class services that Australia can offer. Services such as aged care, asset management and insurance services may provide growth opportunities for Australian businesses in overseas markets.

Trade integration and globalisation not only benefits businesses, but consumers as well. Trade liberalisation, that occurred over a 30 year period from the late 80s, has left the average Australian household $8,448 better off in 2016.² Consumers now have access to a much wider range of products at cheaper prices (see Box 1.1).

This chapter first looks at how Australian trade has changed and the impact of trends in global trade. The chapter then examines the domestic characteristics that shaped Australian industries and the way they have been influenced by globalisation and trade exposure. Australian exports have been dominated by mining and agriculture due to our comparative advantage in these industries. Australia’s exports are focussed on a narrow range of products that are produced by many other countries, an anomaly among developed countries. Yet low complexity also indicates that Australia is a highly specialised economy, suggesting it has adapted to competitive trade pressures.

It concludes with a discussion on how Australia can continue to succeed in a changing global trade environment. Australia should continue to work towards freer markets by reducing non-tariff barriers, seeking to negotiate trade agreements that are broadly inclusive of countries and sectors, and only concluding free trade agreements that are modern and comprehensive. As Australia continues to integrate into the global economy, the economy will continue to restructure to capitalise on these opportunities, particularly in the services industries.³ In doing so, there is a role for governments to help facilitate transitions for regions and workers in adapting to these structural changes.

1 In this report, industries are capitalised when referring specifically to ABS industry definitions.
2 Centre for International Economics (CIE) (2017) Australian trade liberalisation — Analysis of the economic impacts, report commissioned by Department of Foreign Affairs and Trade
3 See chapter 1 of Industry Insights 1/2018 — Flexibility and growth for further discussion on the changes that have occurred in the Australian economy following significant tariff reform and trade liberalisation in the 1970s.
Box 1.1: Impacts of trade on the economy

Greater exposure to world markets has benefited consumers through greater product availability, often at a cheaper prices. However, this same exposure has led to structural changes across Australian industries. One such example is in automotive manufacturing.

About 30 years ago, the top-selling car — an Australian made 1987 Ford Falcon — cost $17,507 (or $41,924 in today’s dollars), almost 9 months of work at the average wage. In terms of product range, there were 33 brands and 123 different models.

Fast forward to 2017, the number of models to choose from has almost tripled with 50 brands and over 316 different models. The top-selling car in 2017 was a Toyota Corolla — a Japanese car built in Thailand for Australian markets — which will set you back $23,820. It would take the average worker just over 3 months of their annual wage to afford this car.

With the closure of the Ford Australia factories in October 2016, a 2017 Ford Falcon is no longer available. Increased trade exposure has led to changes in the structure and role of Australian manufacturing in the economy. In spite of car manufacturing ending, Australian manufacturing has sought out new avenues to transition their skills and develop new products in different markets (see Box 3.1 for more details).

Notes: Cost of cars and average weekly wage is calculated in current prices.


Australian trade growing and shifting to Asia

Two-way trade in Australia totalled $735 billion in 2016–17, almost 40 per cent of the Australian economy. The Australian economy has become more trade exposed since the 1970s, while our trade and investment partners have shifted from the West to Asia.

The level of two-way trade has fluctuated in the Australian economy. Two-way trade fell from the previous highs of trade exposure in the early 1900s, when trade as a share of GDP reached almost 50 per cent. Australia exported a narrow range, mostly agricultural commodities to British Empire markets, with major exports including wheat, wool, butter and gold. From the first decade of Federation, increasing tariff protection became a feature of Australia’s economic landscape. Spikes in trade following the World Wars (up to highs of 54 per cent) show the potential of Australia’s export economy (Figure 1.1).

Australia continued to trade above the global average up until the 1970s, but was slower to embrace “Globalisation Mark II” (the decades since about 1970, when most advanced economies began liberalising trade). Australian two-way merchandise trade as a share of GDP (a measure of trade exposure) now sits behind the global average of 56.4 per cent, one of the lowest rates among Organisation for Economic Cooperation and Development

4 Department of Foreign Affairs and Trade (DFAT) (2018) Trade, investment and economic statistics, DFAT, Canberra

5 Department of Foreign Affairs and Trade (DFAT) (2016) Australia’s trade since Federation, DFAT, Canberra
(OECD) countries. Slower liberalisation of trade barriers and longer distances from world markets both played a role in Australia’s relatively low trade exposure.

Figure 1.1: Australia’s two-way trade as a proportion of gross domestic product (GDP), 1901 to 2015–16

![Graph showing Australia's two-way trade as a proportion of GDP, 1901 to 2015–16.](image)

Note: Data changed from calendar years to financial years in 1913.


There have been significant changes in Australia’s trading partners over the last 100 years. The United Kingdom (UK) was Australia’s main trading partner from Federation up until 1965. From the 1970s, Japan and the United States (US) replaced the UK for around four decades. Today, the US remains important but the majority of Australia’s main trading partners are located in the Asian region, including China, Japan and South Korea (Figure 1.2). Asia’s growing presence in the global market has affected Australia significantly. China became a major trading partner in the early twenty-first century, boosted by large demand for commodity resources.

Foreign investment is also an important driver of Australia’s economic growth, filling the gap between what Australia saves and invests every year. Foreign investment brings in new businesses with connections in different markets and opens up additional export opportunities. It also encourages competition and increased innovation by bringing new technologies and services to the Australian market.

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CHAPTER 1
Changes in global trade shaping the Australian economy

The total value of foreign investment in Australia was $3.2 trillion at the end of 2016. The US and the UK are the primary investors, making up 26.9 per cent and 16.2 per cent of all foreign investment respectively. However, Japan, Hong Kong, Singapore and China were also in the top 10 in 2016, showing strong growth in investment over the past five years. Growth in Chinese investment alone has averaged 37.9 per cent in the past five years to 2016.\(^7\)

The composition of Australian exports has also changed over time. In the last decade, manufacturing exports have declined as a share of total goods exports. Mining exports have risen with the mining boom and increased demand from China, and now account for over 50 per cent of total goods exports. Services, despite increasing their overall share of the economy, has not experienced the same growth in exports although this is not unique internationally. However, as shown in Chapter 2, the aggregate numbers do not account for the services that are used as intermediate inputs into goods exports.

Three-quarters of the value of services in global trade is as an intermediate input, and this role is growing.\(^8\) Services inputs contribute to merchandise trade by coordinating value chains, providing accounting advice or other business services. New technologies have increased the range of business services that can be offshored, such as back-office

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\(^7\) Department of Foreign Affairs and Trade (DFAT) (2017) *Which countries invest in Australia*, DFAT, Canberra

functions, software development and legal review. This gives producers access to cost-effective services inputs, which improves their competitiveness. Other services, such as freight logistics, ensure goods can reach their destination in a timely and efficient manner.\(^9\)

### National characteristics shape trade

Australia’s trade profile has developed as a result of multiple factors, including natural endowments, a highly skilled workforce, and geographic isolation. These factors have led to Australia having a trade mix with exports focused primarily on resources with a small number of key trading partners.

### Australia’s comparative advantages

Comparative advantage can be measured using a metric known as revealed comparative advantage (RCA). RCA is a way to measure how much more efficiently a country can produce a good compared to others (see Box 1.2).

Australia’s economy and how it trades is shaped by its comparative advantages. Australian exports are mostly in industries which rely on natural resource endowments, capital, and land, such as mining and agriculture (Figure 1.3). An abundance of skilled labour has also developed strong export markets for education services and high-value manufactured goods.

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\(^9\) For a detailed discussion of how services contributes to a number of industries in Australia, see *Australian Industry Report* (2015), chapter 2 on enabling services and their role in the economy.
Box 1.2: Measuring international competitiveness using revealed comparative advantage

A country will export more of a certain product when it is relatively better at producing that product than other countries, what economists call ‘comparative advantage’. Differences in comparative advantages between producers create the basis for exchange through trade. At a global level, countries specialise and exchange goods and services through international trade.

In practice, measuring how competitive a country is in a certain product is difficult because of factors such as differences in trade barriers between countries and changing prices or exchange rates. Instead, comparative advantage can be measured by ‘revealed comparative advantage’ (RCA), which is a measure of how much a country exports compared to the rest of the world. RCA is the proportion of a country’s exports in a sector divided by the proportion of world exports in that sector.

\[
\text{Revealed Comparative Advantage (Sector A)} = \frac{\text{Australia’s exports in Sector A}}{\text{Australia’s total exports}} \times \frac{\text{World’s exports in Sector A}}{\text{World’s total exports}}
\]

If the RCA is greater than one for a particular sector, that country has a comparative advantage in that sector. The higher the number, the stronger the comparative advantage. An RCA of 5 implies a country exports 5 times more of a particular good compared to that good’s share of world production.

If the RCA is less than one, the country has a comparative disadvantage in that industry. An RCA of 0.05 would indicate that a country exports 20 times less than expected given their relative size.

When RCAs change, this can be because of:
- Australia’s changing export composition
- Changes in world exports in that sector.

Much of Australia’s increasing specialisation in minerals exports is due to strong demand from China for Australian ores and minerals, which has helped drive growth in Mining exports. Proximity to the Asia-Pacific region has also been beneficial and a key driver in developing Australia’s comparative advantage in mineral exports.

Australian exports, particularly minerals exports, could be even higher if not for geographic isolation. Distance is a strong determinant of a country’s price competitiveness in resources, given high shipping costs. A recent study found that “resource exports would be 35–50 per cent higher if their location were at the world average distance from their various resource markets.”

While Australia has an advantage by being relatively close to China, the ‘tyranny of distance’ is still a major impediment for Australian trade, particularly for resources.

**Australian exports lack complexity**

Economic complexity is a measure of differentiation of a country’s exports, and has two dimensions: diversity — how many products a country exports; and ubiquity — how many other countries export the same products. Complexity increases with diversity and decreases with ubiquity. The measure looks at a country’s industry composition and the relative diversification of its exports.

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As with comparative advantage, factors such as natural endowments and geographical location play a role in shaping this measure. The Australian economy has very low complexity for an advanced country, owing mostly to its high proportion of commodity exports and distance from major markets. Geographic isolation plays a significant role in Australia’s lack of economic complexity. Distance from a significant regional bloc like Asia (compared to other countries in that region) has prevented Australia from greater involvement in global value chains, particularly for manufactured goods. Outsourcing production of smaller parts of a manufactured good can be cost-effective if labour, transport and other associated costs are cheaper than producing domestically.

Australia’s economic complexity is an anomaly among advanced economies, with the economic complexity closer to that of a developing country (Figure 1.4). Countries with highly complex exports include Japan, Germany, Switzerland, Sweden and South Korea. Australia ranks 53rd — comparable to the economies of Kazakhstan, Cambodia, Kenya and Saudi Arabia — and is the least complex of all the OECD countries.

Figure 1.4: Economic complexity vs income per capita, 2015

Note: Negative values in economic complexity indicate complexity is below the global average.

Low complexity in Australia suggest there is significant export and growth potential to diversify its export base. Low complexity also points to risks in Australia’s lack of diversity, with a narrow range of exports meaning the economy is more subject to income volatility.

Note that economic complexity is not a perfect measure of competitive advantages. The index only considers merchandise goods and exports and does not take into account the prevalence of services in the Australian economy, such as education and personal travel services exports. The measure also underscores the significant advancements Australia has made in the mining sector where production can be complex but produces a homogeneous product.
through demand shocks for specific goods. While Australia has benefited significantly from China’s demand for commodities, low complexity suggests a negative shock to export demand would be more detrimental for Australia than for a more complex economy. Yet low complexity also indicates that Australia is a highly specialised economy, suggesting it has adapted to competitive trade pressures.

**Trade exposure heightens competition**

As Australia has become more globalised, Australian industries have been exposed to more competition from other countries. Trade exposure looks at the proportion of an industry’s output that is either exported or imported. For example, mining is highly trade exposed because it exports a large per cent of its total production. Manufacturing is also highly trade exposed but this is due to a large proportion of imports from other countries.

Globalisation has resulted in Australia producing more of what it is good at, such as mining, and less where it is comparatively inefficient, such as certain manufacturing products (Table 1.1). Services generally have lower levels of trade exposure, so they have not been as heavily affected by globalisation.

<table>
<thead>
<tr>
<th>Industry</th>
<th>Trade exposure (per cent)</th>
<th>Growth in GVA (per cent)</th>
<th>Share of GVA (per cent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mining</td>
<td>64.4</td>
<td>39.6</td>
<td>5.8</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>57.2</td>
<td>-9.5</td>
<td>5.8</td>
</tr>
<tr>
<td>Agriculture</td>
<td>19.7</td>
<td>10.8</td>
<td>2.8</td>
</tr>
<tr>
<td>Distribution services</td>
<td>12.4</td>
<td>14.2</td>
<td>16.2</td>
</tr>
<tr>
<td>Personal services</td>
<td>12.2</td>
<td>7.1</td>
<td>4.9</td>
</tr>
<tr>
<td>Other business services</td>
<td>5.0</td>
<td>18.8</td>
<td>21.8</td>
</tr>
<tr>
<td>Social services</td>
<td>2.9</td>
<td>17.0</td>
<td>17.4</td>
</tr>
<tr>
<td>Utilities</td>
<td>0.5</td>
<td>2.2</td>
<td>2.4</td>
</tr>
<tr>
<td>Construction</td>
<td>0.5</td>
<td>0.2</td>
<td>7.4</td>
</tr>
<tr>
<td><strong>Weighted average</strong></td>
<td><strong>13.1</strong></td>
<td><strong>14.4</strong></td>
<td></td>
</tr>
</tbody>
</table>

Notes: Growth in GVA is calculated over a five year period from 2011–12 to 2016–17. Trade exposure includes the impact of exports and imports. Weighted average calculated using share of GVA.


Most trade liberalisation to date has been in reducing barriers to goods trade. As a result, manufacturing operations have shifted overseas to access cheaper labour in developing economies. Australian manufacturing’s share of GDP has declined steadily since 1975.

Manufacturing still forms an important part of the Australian economy, adapting to the changing global economy by pursuing higher value-adding activities, such as research and
Adopting advanced techniques, technologies and business models is helping Australian manufacturers stay competitive through improved cost competitiveness, product innovation and better offerings of support services. Though many manufacturing industries in Australia are yet to fully embrace this trend. Industries such as aerospace and medical manufacturing, for example, are not fully using opportunities in key export markets, particularly for intermediate goods.\(^\text{13}\)

Mining is also highly trade-exposed, but Australian mines are among the most-competitive in the world.\(^\text{14}\) In contrast to manufacturing, trade exposure has facilitated significant growth in mining, particularly due to demand from China.

The differing experiences of Manufacturing and Mining highlight the impact of trade exposure. Manufacturing has faced strong import competition from low-cost countries following trade liberalisation and has reduced in size. The industry has adapted and diversified into other areas where Australia has a comparative advantage, despite falling as a proportion of the economy. Australia has various competitive advantages in Mining, and the industry has experienced strong growth.\(^\text{15}\)

Services are growing as a share of the Australian economy but trade exposure has played a minor role in this growth. Growth in services is mostly due to shifting consumer preferences, with people increasing their demand for services as they get older and wealthier.

Yet some trade-exposed services have increased their share of Australia’s economy and exports. Travel services grew their share of total services exports from 47.0 per cent in 2000 to 64.6 per cent in 2016–17.\(^\text{16}\)

## Capitalising on the changing global economy

There are a number of ways that Australia can ensure it capitalises on the new opportunities that arise from the changing nature of trade. Recent reports provide a number of recommendations to ensure that Australia continues to succeed in a changing global economy.\(^\text{17}\) The recommendations fall under three broad categories relating to continued open international engagement, broader domestic policy and community engagement.

### Services industry provides growth opportunities for Australia

Technological progress, urbanisation and rising incomes are leading to an increase in the share of services across the globe. Australia has an opportunity to capitalise on this growing demand for tradeable services, particularly demand coming from the Asian region.

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\(^{12}\) For further information about the changing composition of manufacturing, refer to chapter 3.

\(^{13}\) Advanced Manufacturing Growth Centre (AMGC) (2017) *Sector Competitiveness Plan*, AMGC, Sydney, p. 46

\(^{14}\) Department of Industry, Innovation and Science (2017) *Resources and Energy Quarterly*

\(^{15}\) Although this relationship holds for the past five years it has varied over time due to external factors, such as the changing trade exposure of industries, the effect of the Global Financial Crisis (GFC) and relative price changes.

\(^{16}\) Department of Foreign Affairs and Trade (DFAT) (2017) *Trade in Services Australia 2016–17*, DFAT, Canberra

Services exports can be inhibited by language barriers and geographic distances. Despite these disadvantages, Australia has a strong comparative advantage in services compared to other countries in Asia and Oceania. This is particularly the case for financial and insurance services, as well as personal and recreational services.

The ageing population in several Asian countries presents significant opportunities for Australian businesses. There are already more people aged over 65 in Asia (about 365 million) than the total population in the US.18 This number is expected to grow to over 1 billion, more than the populations of the Eurozone and North America combined, in the next 25 years. Aged care services, such as health care and nursing, as well as asset management and other insurance services, are all industries that could benefit from this demographic change.

However there are the added difficulties associated with services as many of Australia’s trading partners have very high barriers to entry in their services markets. To ensure Australian businesses are able to expand to opportunities in overseas markets, continued negotiations encouraging open and inclusive trade agreements with a range of countries are essential.

**Capitalising on trade opportunities**

To ensure that the global economy does not fall back into protectionist tendencies, it is important to continue to work towards freer markets. This can be done by reducing non-tariff barriers (such as barriers to services trade and investment), negotiating inclusive trade agreements, and concluding free trade agreements which are modern and comprehensive.

Although Australia has very low tariff rates, the World Bank’s Doing Business survey ranks Australia 95th for ease of trading across borders.19 Given the current geopolitical environment, it is now more important than ever that Australia does not reverse the process of trade liberalisation that has been underway since the 1980s. The impact of a global trade war would have significant consequences for Australia. For example, the Productivity Commission (PC) has estimated that a significant increase in protectionism worldwide (a scenario in which all countries raise tariffs by 15 per cent) would have a negative impact on Australia. Australian GDP would fall by over 1 per cent a year, equating to a loss of close to 100,000 jobs and $1,500 less income per year for the average household.20

**Distribution of the benefits from trade**

Trade has provided immense benefits for the Australian economy. Yet there are distributional impacts associated with changes from trade, particularly during transitional periods.

Global economic integration has been a source of prosperity for many years, but is coming under growing scrutiny due to a range of concerns, including perceptions of uneven sharing of the benefits. Over the past couple of decades, income inequality has risen in various OECD countries.21

Discontent with the distributional impact of globalisation should not be ignored. Structural change has adverse impacts on some workers and can be particularly fraught in regional areas where employment is connected with one particular industry. There is a role for

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20 Productivity Commission (PC) (2017) Rising protectionism — challenges, threats and opportunities for Australia, PC, Canberra, p. 6
governments to help facilitate transitions for regions and workers that are particularly affected by structural changes.

Domestically, policies that boost regional resilience and provide transitional assistance can help to ensure that regional imbalances are not exacerbated. These include ensuring workers are prepared for the demands of the changing workforce, improving regional mobility to stimulate labour mobility, and facilitating the diffusion of knowledge to build on local comparative advantages.

**Conclusion**

Trade has increased economic efficiency, created new opportunities for businesses, given consumers access to more products at cheaper prices, strengthened competition, and shaped patterns of specialisation. However, the nature of the global trading environment is changing.

To ensure that industries can keep up with the changing trade environment, Australia needs to continue to pursue free trade while providing a safety net and transitional support for those negatively affected by globalisation. Australian businesses have so far been successful in capitalising on our comparative advantages and natural resource endowments such as during the mining boom. Future sources of export growth include capitalising on the growing demand for services in Asia, particularly given our highly skilled workforce.
The 200th anniversary of David Ricardo

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Australia’s living standards have always been, and will continue to be, underwritten by international trade and investment.

Last year marked the 200th anniversary of David Ricardo’s theory of comparative advantage, it’s timely to remind ourselves why we trade. Essentially, we trade with other countries for the same reason we specialise and trade with each other at home. Specialising in what we can produce at lower opportunity cost means we can earn and consume more. We trade because it is a positive-sum game.

In addition, openness to bigger global markets means more-intense competition, driving innovation and productivity growth at home. International trade and investment are important conduits for the diffusion of knowledge and technology into our economy. We have also seen rapid growth in trade in intermediate goods, allowing for even greater specialisation across countries and global supply chains.

Ultimately it is Australian households, as both wage-earners and consumers that benefit from higher productivity, access to imported goods and services at lower cost, and much greater product variety.

We also know that competition, whether from international or domestic businesses, inevitably creates winners and losers. Exporters see benefits from sales abroad. In contrast, the businesses and their employees competing against imports see intense competition, often from foreign businesses that don’t face the same taxes, regulations or wages, which on the face of it seems blatantly unfair.

So, although international trade brings great national and global benefits, some can lose, at least in the short term, driving anti-trade sentiment.

The answer isn’t and shouldn’t be to impede imports (or some exports) by pursuing protectionist or mercantilist policies, whatever the mechanism — tariffs; quotas; discriminatory taxes, subsidies or regulations; or local purchasing preference, to name just
a few. As Australia learnt after many decades behind a tariff wall designed to protect the manufacturing sector and some parts of agriculture, the income costs of forgone exports, a high domestic cost structure and low productivity became too great. We learnt the hard way that arguments for protection are based on the fallacy that foreigners bear the costs.

This doesn’t mean we shouldn’t actively promote the benefits and minimise the adjustment costs of trade. We maximise the benefits primarily by nurturing a flexible, dynamic and innovative domestic economy — one that promotes competition and the process of creative destruction to drive innovation and continuous improvement and that allows our scarce endowments to flow to their highest-valued uses, including export sectors. An economy that is not burdened by excessive, inflexible regulations or inefficient business and personal taxes that deter investment and risk-taking.

Higher productivity means we can compete against countries with much lower wages or other apparent ‘unfair’ advantages while paying high wages. It is relative unit costs that matter.

Adjustment pressures cannot be avoided, but they can be managed by providing a well-targeted safety net and reskilling displaced workers. In practice, it is difficult disentangling the adjustment impacts of trade from technology and other economic shocks, so the focus should be on facilitating and cushioning adjustment whatever the cause, including through access to lifelong learning.

It is sometimes argued that Australia is too reliant on relatively ‘simple’ resource exports, which make up roughly half of all our goods exports.

But we need to be careful about walking away from the principle of comparative advantage. More-complex exports will not deliver higher national income if the opportunity costs of producing them are commensurately higher. We cannot produce and export everything to everybody because we do not have unlimited endowments. At any rate, the process of mineral and resource extraction in Australia is highly sophisticated and innovative even if at the end of the day the product being exported is a lump of rock.

While we should avoid trying to pick export winners, we shouldn’t impede existing or potential winners through unfavourable policy settings.

For example, our agricultural export potential would benefit from greater investment and linkages to growing Asian markets, yet lower screening thresholds discourage foreign direct investment in the sector which has the potential to provide both.

Trade in services is also often tightly interwoven with foreign direct investment and the market linkages it can bring.

Comparative advantage is not set in concrete. New technologies, including digital technologies that reduce transaction costs, are opening up new global trading possibilities at a rapid rate, including opportunities for much greater specialisation in global supply chains.

The rate of change reinforces the need for flexibility and responsiveness across businesses of all sizes and all business models, and regulatory and policy settings must not impede this.

It is worth bearing in mind that exporting can demand large-scale operations. Indeed, the ABS estimates that 95 per cent of our goods exports come from large businesses. While exports from smaller businesses are to be encouraged, policies that effectively penalise larger businesses and business growth by imposing distortionary thresholds, for example, could impede our export potential.

It goes without saying that Australia should also continue to seek to reduce global barriers and push back against global protectionist pressures, but doing this won’t deliver the maximum gains if we fail to get our own house in order. Arguably our strongest bargaining chip and authority in international trade negotiations comes from being an exemplar of the domestic benefits that flow from a truly open economy.