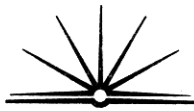


Globalisation refers to the integration of individual, national economies into one single, universal economy. Such a process, which has experienced unprecedented growth, has inherently led to disagreements over what some call protectionism compared with what other countries call regionalism.

This process, with its protectionist policies has had a diverse impact on all sectors of both domestic and international economies, including individuals, firms, the government and the economy as a whole.

Firstly, maintaining a domestic perspective it is evident that Australia's value composition and direction of exports and imports has changed as a result. In 1985-86 75% of Australia's export value was derived from commodities (simply transferred manufactures). Currently that



rate is down to 50%. Undoubtedly such a situation is largely due to protectionist policies. This is explicitly clear in regard to the fact that since the sector that the European Union imposes the greatest subsidies on is agriculture, Australia has absorbed the impact of this and decided to change its export base more towards ETM's, which can penetrate the market (EU) much easier. Now some 23% of our export value is composed of ETM's.

In this sense, Australia's has adapted to the prevailing circumstances, yet from a different point of view the direction of Australia's trade has changed due to protectionist policies from the EU, to becoming more orientated around North Asia (China, South Korea, Japan) and the United States. Due to the principle of the retaliatory effect,

this has meant Australia has not only changed its primary export market, but changed where most of our imports are derived from. Our main imports include consumer, capital and intermediate goods. It is said that now some 60% of our trade originates within the Asian region.

~~Global economies~~ The European Union, as well as NAFTA are the two predominant regions where protectionist policies flourish. Despite the fact that such a policy defies the principle of comparative advantage, and contradicts the WTO's aim of trade liberalisation, these two trading blocs remain as intact as ever. Just some months ago, the USA imposed a tariff on steel, decimating our export income by an estimated 20%. Though such protectionist policies seem like trade

diversion to many nations, it is claimed such a system is based around regionalism, meaning trade within the actual system increases dramatically. A further justification for such protectionist policies includes the fact that it is claimed the current system of negotiation within the WTO's 140 members, is too ~~slow~~ slow. Such reasons vary from the general economic reasons of infant industry and anti-dumping and therefore can be deemed as constituting non economic reasons.

The impact of protectionist policies on the domestic and global economies is multifaceted. In terms of individuals they suffer at the hands of the increased prices of G&S, as well as less employment. Firms will be prevented from capitalising on economies of scale, due to the

smaller size of potential markets. Therefore this may result in closures in the short term, yet as time progresses, the efficiency of the ~~economy~~<sup>firms</sup> will increase. For the government, they are faced by the prospect of increased inflation due to less firms competing for the consumer market. In a political sense, they may have pressure imposed on them to institute the retaliatory effect on the countries which are maintaining protectionist policies. Within the global economy as a whole, there is a misallocation of resources, as individuals would spend funds attempting to lobby the government in order to secure protection.

As protectionist policies began to grow in the late 1970's, Australia's inflation rate grew, averaging 10.2% between

1970 and 1980. This further exemplifies the impact of protectionist policies on the Australian economy. Australia itself is guilty to a degree of protectionism, as there is still 82% tariff on dried fruits. Recently the WTO had to intervene on another front, when the Australian government refused entry of Canadian salmon on "quarantine" grounds. The WTO eventually ruled such an act constitutes protectionism, with the Australian gov forced to relinquish its grip. A further example of Australia's protectionism is evident in regard to the fact that the Australian gov still maintains a large grip on the Australian wheatboard.

In a different sense, protectionist policies have given rise to many countries making a concerted effort to deregulate their economies. Australia is well aware of the benefits we can

gain from protectionism, yet it has largely ignored this, and pressed for free trade. Just recently a free trade agreement was signed with Singapore. Microeconomic reform was being prevailing with the Trade & Industry policy setting up the aim of achieving just 5% tariff protection on the manufacturing industry by 1996. Tariffs on motor vehicles have declined from highs of 57.5% to a new low of 15%, whilst textiles (clothing, footwear) has decreased from a significant 55% to 25%. The Australian government has also embraced competitive neutrality, which involves government businesses being on a level playing field to the private sector. This has resulted in the commercialisation of Integral Energy and greater efficiency as a whole. So despite the fact that ~~protect~~ protectionist policies seem attract, in a sense they have had the

Impact of fuelling Australia's continual attempt to conform to globalisation through opening up to increased trade. South Korea exemplifies a country of the global economy, which has similarly been undeterred from embracing globalisation, despite protectionist policies. ~~In the 1960's under the Park regime~~  
~~It~~ In 1996 it attempted to join the OECD, with the quid pro quo for doing so a reduction in tariffs & protectionist. This materialised with Korea allowing foreign banks to establish subsidiaries on its shore. The relevance of South Korea to the discussion on the effects of protectionism within the global economy really have some significance in 1997, with the Asian Crisis. The IMF had to bail Korea out with its largest payment ever of \$US58 million. ~~As~~ The crisis was a result of speculation, with the end result emphasising the disastrous consequences.



that complete integration may have. This therefore ~~will~~ may be a source of impetus for ~~future~~ nations to break away from the global economy, which is increasingly volatile.

As is evident, globalisation has heralded the process of protectionism, which has had both positive effects on the domestic economy i.e. moving from STM's to ETM's to penetrate the EU's barriers on agriculture, as well as negative effects especially on the firm, government and individual.