



EMISSARIES OF
TRADE:
a history of the
Australian trade
commissioner service

Boris Schedvin

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AUSTRADE
DEPARTMENT OF FOREIGN AFFAIRS AND TRADE

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Foreword

Trade is vital to Australia's economic prosperity. The objective of consolidating and expanding our international markets has been one supported by successive governments both before and after federation. In this context, for more than eight decades, the trade commissioner service has made a major contribution to advancing the trade interests of Australia in varying and difficult circumstances.

The trade commissioner service was born out of experience that demonstrated the value of having an on-ground presence in overseas locations, not only to facilitate the flow of information relating to export opportunities, but also in lending the type of assistance to Australian interests that can only be delivered by someone in the market.

More broadly, the value of the trade commissioner service extended beyond that of the assistance provided in promoting trade alone. In its formative stages, the trade commissioner service was instrumental in demonstrating to the government, business and the broader Australian community the value of offshore representation by Australian officials and highlighted the value of an Australian foreign policy independent of the United Kingdom.

Today, where one in five Australian jobs depends on exports and exports amount to around 20 per cent of our gross domestic product, the interest of government in continuing to consolidate and expand our international markets is as relevant as it has been since before federation. Trade commissioners continue to play an instrumental role in the promotion of business opportunities that flow from multilateral, regional and bilateral trade negotiations and form a core part of the Government's ongoing effort to further internationalise Australian business and support the economy.

In speaking of a consolidated 'service' there is a risk that we can lose sight of the individual efforts and experiences of the trade commissioners themselves. The tenacity and initiative of the personalities who helped establish the service and those who served under the titles that were formalised by the Trade Commissioners Act 1933 are a part of Australia's experience worth celebrating. This history is an acknowledgment of that contribution, which has been made in the national interest and, in many instances, with considerable personal sacrifices.

It is with pleasure that we present this publication, *Emissaries of trade: a history of the Australian trade commissioner service*.

Simon Crean
Minister for Trade

Stephen Smith
Minister for Foreign Affairs

Acknowledgments

Emissaries of trade: a history of the Australian trade commissioner service was initiated in 2001 by the former Managing Director of Austrade, Charles Jamieson. The history was conceived as a project to bring together a range of historical material and research that had previously been undertaken and develop a single consolidated history of the evolution of the trade commissioner service.

While *Emissaries of trade* has been produced by Austrade and published under the auspices of the Department of Foreign Affairs and Trade, during the project initiation phase it was considered that the history would benefit from an independent, academic analysis of the records and interpretation to form the history. Thanks are extended to Professor Boris Schedvin, who accepted the invitation to research and author the history. As an eminent Australian economic historian, Professor Schedvin has brought to the history a valued interpretation of the role and history of the trade commissioner service. Consequently, the analyses, opinions and conclusions presented in the text are not necessarily those of Austrade, the Department of Foreign Affairs and Trade or Ministers, but are those of the author.

In preparing the history, the author was given access to relevant official records and former trade commissioners, with the history based on both primary and secondary sources. Former trade commissioner Richard Wilson performed an instrumental role in undertaking much of the research relating to the history, and also provided vital assistance in the review and finalisation of the history for publication.

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David Crook, Corporate Secretary, Austrade
Stefan Trofimovs, Former Board Secretary, Austrade

Preface

The Australian trade commissioner service has had a lengthy and complex history. Trade commissioners, or commercial agents, were appointed by most colonial and state governments in the turbulent economic conditions before World War I. The Commonwealth government assumed responsibility for them in the 1920s, but the initiative attracted criticism from commercial interests, and the government failed to provide a secure commercial and legal framework. The experiment was discontinued after a few years, but was re-established during the depression of the 1930s in an urgent search for new export markets.

After World War II the trade commissioner service grew rapidly under the benevolent paternity of successive ministers for trade, notably John McEwen and Doug Anthony. Whenever Australia experienced balance of payments difficulties—these emerged regularly—additions were made to the trade commissioner service. By the 1960s a global network of trade offices had been established. In a sense, expansion of the service was a substitute for more flexible tariff and exchange rate policies.

This history was commissioned by Austrade, the corporation responsible for the trade commissioner service from 1986, during the time that Mr Charles Jameson was managing director. Jameson, a former teacher, was concerned that few contemporary trade commissioners knew much about the organisation's history. The original intention was to take the story from colonial times to about the year 2000, and thus to discuss the early years of Austrade as a corporate entity separate from a Commonwealth department. Subsequently a decision was made to conclude the narrative in 1986, the year that Austrade was established.

The shape of the narrative has been influenced by the availability of records. The records held by the National Archives of Australia are reasonably comprehensive on policy matters, but there is a dearth of material on individual trade posts and commissioners. Few reports from trade posts have survived, and I have been advised that much of this material might have been destroyed at about the time of the formation of Austrade. I have been fortunate, however, to have a large amount of material that was assembled by the late Alan Taysom, a former trade commissioner. In retirement in the early 1970s, Taysom corresponded extensively with former and current trade commissioners, and assembled four large volumes, mostly in chronological order. There is also much correspondence not included in the volumes, files that are held by Austrade. The correspondence and compilations are

peppered with stories and anecdotes as well as with personal information on commissioners. Preparation of this history would have been much poorer without Taysom's assiduous endeavour.

I have also been fortunate to receive the assistance of many former and current trade commissioners who were willing to submit to lengthy interviews. My only regret is that I have not been able to use more of the rich vein of information provided. Richard Wilson, a former trade commissioner, provided invaluable support. Wilson willingly tackled the mysteries of the National Archives and, with a great knowledge of the commission, particularly of posts located in centrally planned economies, was able to clarify many issues for me. I have used the National Archives over many decades on a number of major projects, and am continually impressed by the selfless way that the staff has been willing to support the work of impatient and demanding scholars. Finally, my wife Bernie tolerated my extended absences in Canberra, read several drafts and offered constructive criticism.

Boris Schedvin
December 2007

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Abbreviations

AIF	Australian Imperial Force
AOPC	Australian Overseas Projects Corporation
BHP	Broken Hill Pty Ltd
<i>CPD</i>	<i>Commonwealth Parliamentary Debates (Hansard)</i>
CPE	centrally planned economies
<i>CPP</i>	<i>Commonwealth Parliamentary Papers</i>
Comecon	Council for Mutual Economic Assistance
EC	European Communities
EEC	European Economic Community
EFIC	Export Finance and Insurance Corporation
EPIC	Export Payments Insurance Corporation
GATT	General Agreement on Tariffs and Trade
GDP	gross domestic product
GDR	German Democratic Republic
GNP	gross national product
LAFTA	Latin American Free Trade Area
NAA	National Archives of Australia
OECD	Organisation for Economic Co-operation and Development
OTPC	Overseas Trade Publicity Committee
PNG	Papua New Guinea
PRC	People's Republic of China
SCAP	Supreme Commander for the Allied Powers
TDC	Trade Development Council
UNCTAD	United Nations Committee on Trade and Development
USSR	Union of Soviet Socialist Republics

Note on some procedures

The Australian pound as the unit of currency was decimalised on 14 February 1966 at the rate of £ = \$2. Before decimalisation money amounts are expressed as Australian pounds. After decimalisation money amounts are expressed as dollars Australian.

Dates written as 1956/57 etc. refer to the Australian financial year, 1 July to 30 June. Groups of years are written as 1956–57 etc.

1



Beginnings

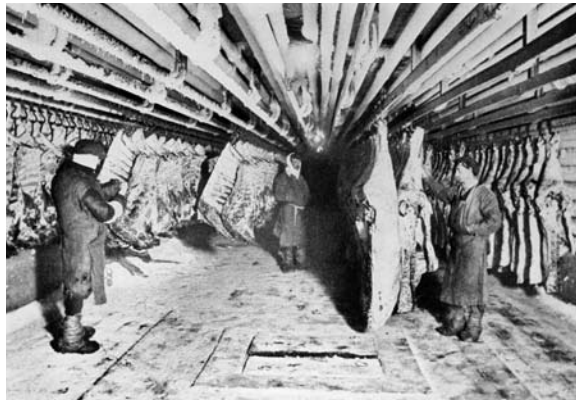
*J.M. Sinclair;
Victorian
Commercial
Agent in
London,
1896–1903;
Singapore,
1906–1912.
[DEPARTMENT
OF FOREIGN
AFFAIRS AND
TRADE]*

For a country such as Australia, international trade was the foundation of the development of a prosperous European civilization in the nineteenth century. White settlers used the abundance of land and the discovery of mineral resources to develop a limited range of exports destined for the Old World and British India. Wool and gold were the items that provided the foundations of future prosperity. They also supplied a generous income that enabled the importation of a wide range of goods, particularly manufactures, that were necessary for economic and social development.

Wool and gold were exceptional commodities from the perspective of international trade and marketing. Wool was a high-value commodity for which there was a ready demand, particularly from the burgeoning textile mills of Europe. At first wool was consigned direct to European customers and then, at a later stage, it was marketed by auction houses in Australia. As wool was a well-established bulk commodity, little marketing in the conventional sense was required. The sale of gold was even more straightforward. Price was set at a fixed level by the Bank of England, the leading monetary authority of the day. Supply found a ready demand among financial institutions and industrial users, and was used to underpin the rapid growth of world trade. Marketing and promotion were not required.

This situation began to change towards the end of the nineteenth century. There were three broad and interdependent changes. First, after 1890 Australia entered the longest and one of the most severe economic depressions in its history. The market for wool fell heavily and this sparked a search for alternative products. It is a major theme of this book that economic adversity was a strong spur to the more energetic promotion of Australian exports. Second, diversification of production was occurring quite quickly. The traditional staples—wool, gold and, more recently, wheat—were joined by meat, dairy products, sugar, pome fruit, dried fruit, base metals and (to a limited degree) coal. Most of these items did not enjoy the commercial advantages of the traditional staples. Generally, they did not have the same competitive advantages as the staples, markets were not well established, and there was strong competition from Europe and from other countries of recent settlement (for example, Denmark, Holland and New Zealand in dairy products, and Argentina and New Zealand in beef and lamb). The search for markets for these new exports stirred interest in trade promotion, especially in circumstances of general economic malaise. Third, technological change made

possible for the first time the export of perishable items. The emergence of refrigeration opened international markets for dairy products, meat and fresh fruit. Initially the quality of the product when landed was unreliable, but improvement had been achieved by the early



*Beef in the
freezing room
for export.*

[JOHN OXLEY
LIBRARY, STATE
LIBRARY OF QLD]

years of the twentieth century. Again, these items required more intensive marketing and promotion than the staples.

In an ideal world of perfect markets and complete transfer of information, intervention to assist the market process would not be necessary. In practice, markets are rarely informed in such a manner. The Australian colonies, remote from the world's centres of trade, were particularly vulnerable to inadequacies in the flow of information. Further, trade flows were constantly prone to intervention by governments. This was particularly the case in the twentieth century, which made commercial diplomacy a growth industry with, consequently, the need for representation abroad.

In the nineteenth century, the Australian colonies were largely unrepresented abroad. Separate representation hardly seemed necessary as constituents of the British Empire. After the colonies were granted self-government, agents-general were established in London to transact government business. Agents-general concentrated on the negotiation of loans, emigration matters and general political representation. They were not concerned with trade promotion except incidentally through the provision of information about their respective colonies. In 1887, for example, information was sent to the colonies by the agents via the British consul in Barcelona that there were opportunities for the export of Australian wheat to Spain as a result of failure of local crops.¹

The use of commercial representatives by colonial governments had its origins in 1894, the worst year of the economic slump, when Victoria made a temporary appointment of an 'agent general' to act on behalf of the colony's producers. Not long afterwards, a commercial representative was appointed on a continuing basis. There is no doubt that economic necessity was the driver. In pressing for such an appointment, the Victorian Chamber of Manufactures made its position clear:

It was very necessary to create a demand for our local products and manufactures and the first step was to fight against the prejudice existing ... An active business agent was required in the Old World to push our goods until the prejudice was killed and the demand created ...²

This was a task that would occupy many trade commissioners for much of the twentieth century.

The first assignment of the new commercial representative, James McInnes Sinclair, a confidant of Alfred Deakin, took him to the Americas rather than to the Old World. He was commissioned by the Victorian Department of Agriculture to report *inter alia* on wheat production in the United States, Canada and Argentina, the bulk handling of grain, tobacco growing, the transportation of fruit, sugar-beet growing and the raising of hogs. The assignment was one of economic intelligence rather than of trade promotion, and indicates the extent to which basic information was lacking on agricultural matters in other parts of the world.

Sinclair was subsequently posted to London, where he served for a period of eight years as superintendent of Victorian exports. He established an office separate from that of the Victorian agent-general, and commenced the peripatetic lifestyle characteristic of many twentieth-century trade commissioners. Visits were paid to many European cities, and excursions were made to the United States, where he accumulated knowledge of fruit canning,

meat processing and the flour trade. One of his strong recommendations as a result of his visits to the United States was that the wheat industry should move to bulk handling and away from the use of hessian sacks. The task was constantly challenging and taxing. There was no support from the home government, no office assistance, expenses were high as a result of the requirement for continual travel, remuneration was modest at £400 (subsequently increased in stages to £800) per annum and communication with Australia was slow and erratic. Sinclair found himself working as a cut-price roving commercial ambassador.

In 1906, Sinclair accepted a new term abroad as Victorian trade commissioner in Singapore. In practice, his territory included much of the Far East: Burma, India, Indo-China, Java, the Malay States, the Philippines and Siam. Another commercial appointee, R.B. Levien, was dispatched to Shanghai to cover China and Japan. After three years, Levien was withdrawn and Sinclair was obliged to extend his coverage to these two countries. Even twentieth-century trade commissioners who were often allocated impossibly large territories would have baulked at such a remit.

For reasons of safety and the education and health of his wife and children, Sinclair left his family in Melbourne upon taking up the appointment in Singapore. Many letters have survived that depict a life of constant travelling to exotic destinations in humid and uncomfortable conditions.³ He prepared each year a trade pamphlet for distribution in the region describing Victorian exports; he provided information on freight rates and distributed lists of Victorian exporters; he placed standing advertisements about Victorian produce in Singapore and Shanghai newspapers; and on his many travels he was assiduous in contacting local merchants. Travel by steamship, railway or rickshaw was slow by modern standards and usually uncomfortable. He paid regular visits to the main cities of India, Java, Sumatra, the Celebes and Indo-China, and individual cities such as Colombo, Rangoon, Bangkok, Manila, Hong Kong, Hankow, Peking, Tientsin, Mukden, Dalny, Seoul, Kobe, Yokohama and Tokyo. Sinclair would have been in an outstanding position to write an early twentieth-century version of *Lonely Planet* on East and Southeast Asia, including detailed advice about accommodation options.

Sinclair was adept at meeting people at all levels of society. In a letter to his family in April 1906, he describes his extensive travels and his commercial contacts:

Since I wrote last week I have been away on the mainland [Malaya] for two days visiting large sugar, tapioca plantations etc. at the desire of planters in order to see whether our Victorian implements would suit them. I had about 50 miles of train travelling and about 30 miles of driving. One estate I was on

had 1300 acres under tapioca, 1000 acres planted with coconuts for copra and oil, also indigo and other things growing. Another had several thousand acres under sugar cane and rubber trees. I met many of these planters and they are very nice people, some of them ordering Victorian ploughs and cultivators, and if they do well a large business will follow.

This afternoon I leave Penang by steamer for Medan, the principal town in Sumatra, it is about 12 or 14 hours steaming, and then I have a two-hour train ride to get to Medan. It is a great place for tobacco growing and there are also great oil wells there. I expect to be there for three or four days and after that I sail back to Singapore ... [Then] it is likely I may make a short visit to Malacca ... as I want to meet the planters there ... I had two 12 mile drives in a buggy through country settled by Malays and Chinese, having as a guide a Japanese who could not speak English but knew the roads. He was in the employ of a planter. There was dense population everywhere and the roads were good, often through coconut plantations. I think I can travel as well as anyone alone in strange countries, having got so used to it—I am never at a loss among any class of people.⁴

The Victorian Department of Agriculture was well pleased with Sinclair's efforts, as there was a rise in the volume of the state's exports to the East in the half dozen years before World War I. The government was sufficiently encouraged to support (by means of a subsidy) a five-weekly steamship service from Melbourne to the ports of Batavia, Samarang [Semarang], Singapore and Sourabaya [Surabaya]. Arrangements were also made for the provision of cool storage in the service if there was sufficient demand for perishable produce. Sinclair was credited with making contact with the Indian army to arrange for samples of fodder to be dispatched to the subcontinent, and the



*Australian hay
for export.
(JOHN OXLEY
LIBRARY, STATE
LIBRARY OF QLD)*

other commercial agent (Levien) was instrumental in the dispatch of a cargo of wheat and maize to China.

In 1912, Sinclair completed his second three-year term as Victorian trade commissioner based in Singapore. By then, constant travel in the tropics had taken its toll and he returned to Melbourne. It is interesting that he was not replaced despite general satisfaction with his performance. The reason for this is not clear. There were those that argued that it was not the responsibility of government to provide commercial advantage, even indirectly, to those in the private sector, but there is no evidence that this was the reason for the discontinuance of the post. It is also possible that there was a growing expectation that the Commonwealth government would assume responsibility for trade promotion, as 'trade and commerce with other countries' had been specified as a federal power under the Commonwealth Constitution, section 51 (i). In any case, Sinclair was a genuine pioneer and in a broad sense served as a model for a number of initiatives in other states. As we shall see, few of these initiatives were based on the appointment of full-time salaried commissioners.

New South Wales was the only other state to follow the Victorian lead, and it did so on a more comprehensive basis. Three posts were opened in the early years of the twentieth century—in Kobe, Cape Town and San Francisco. It is likely that New South Wales was prompted to act because of growing interstate rivalry in the export field. Certainly there was pressure from the Sydney Chamber of Commerce for the appointment of commercial agents. Thus, in 1902 Charles Lance, a mechanical engineer and a relatively new immigrant from the United Kingdom via the Cape Colony, was posted to London as commercial agent, A.P. Whitely was dispatched to Kobe, and George Valder to Cape Town.

Whitely died shortly after arriving in Kobe and was replaced by John Bligh Suttor, the long-serving resident engineer of the New South Wales government railways. This might not seem an ideal background for a wide-ranging commercial exploration of north-east Asia, but Suttor proved to be effective and very durable in the position. He became proficient in Japanese, was widely respected in the region, and was confident that Japan would become a major market for Australian exports. Indeed, in 1922, towards the end of his posting in Japan, Suttor opined to Prime Minister Billy Hughes that Asia would emerge as Australia's most important market:

I have every confidence in the East as Australia's great trading centre of the future of which Japan will, for a long time, be the leading country more especially in regard to wool, metals, wheat and later on meat and other food supplies.⁵

Although based in Kobe, close to the centre of Japan's emerging industrial heartland, he was New South Wales trade representative for Asia as a whole—from India and Ceylon in the west to China, Mongolia and Siberia in the north-east. Sensibly, however, he concentrated on Japan and avoided the constant travelling that was such a feature of Sinclair's time in the region. Unlike most of his successors at the Commonwealth level, Suttor did not enjoy diplomatic status and he was thus free to locate outside Tokyo. At the time, this was an advantage because at Kobe he was able to mingle freely with merchants and industrialists, and was thus able to assess at first-hand the products that were in demand.

With great energy, Suttor was able to assist the early Japanese growth in demand for Australian wool. He dispatched many reports on general market conditions in the region, and submitted more detailed commentary on matters such as the coal trade in Asia, the grain trade in Japan, freight rates and shipping information, food for Hong Kong, railway sleepers, packing goods for export, horses and so on. In short, Suttor's main role was to supply the economic intelligence that would become the bread-and-butter of the work of trade commissioners in future generations.

Suttor was not well supported, however, from his home base in Sydney. Information on the state's product range was not updated regularly, and the trade representative was often in the dark about products and prices. He was able to make several return trips to Sydney, but this was insufficient to keep him fully informed. This was particularly the case when the posting extended for a period of twenty years, a term for a single posting not exceeded by any subsequent trade commissioner—and for good reason. Indeed, in the highly individualistic mode of the times, these early representatives were cast adrift as sole agents. It is surprising that these early representatives performed as well as they did, although it has to be said that the record was uneven.

Suttor retired from his position in 1922, and was so well known and liked that the merchants of Kobe erected a statue in his honour. By this time, the Commonwealth government had made a commitment to appoint one or more trade commissioners based in Asia, and Suttor was interested in continuing to serve even though he had reached the age of sixty-three. As we shall see in Chapter 2, Edward Little had already caught the eye of Prime Minister Hughes and had taken up an appointment as Australian trade commissioner in the 'East', located in Shanghai. As the Commonwealth had accepted responsibility for the trade promotion that the states had been urging since before World War I, New South Wales closed its Kobe office.

We should also note that New South Wales established trade posts for relatively short periods of time in South Africa and the United States, and a subpost in Canada in the years shortly before World War I. The post in Cape Town, opened by George Valder in 1907, lasted only a little more than a year. The opening appears to have been prompted by the build-up of troops during the Boer War, and the increase in demand for food (including frozen beef). But, by the time the post was in full operation, the demand had shrunk, and Argentina was the most competitive source of beef, and the United States of pork. The Commonwealth government was urged to take responsibility for the post but declined to respond to the invitation. The post closed in 1908.

New South Wales also experimented with representation in the United States and Canada with a modicum of success amidst tactical confusion. The first move was made in 1911, when Percy Hunter, director of the Immigration and Tourist Bureau, was sent to the west coast of the United States to report on commercial prospects. Hunter reported enthusiastically about the vitality of the San Francisco Bay area despite the destruction caused by the 1906 earthquake and fire. By this time, the government was ambivalent about establishing further overseas posts, believing that responsibility for trade promotion should be taken by the Commonwealth. But, as the Commonwealth was still finding its feet and was hesitant about accepting this responsibility, New South Wales commissioned an additional assessment of trade opportunities across the Pacific. Neil Nielson, a member of the New South Wales parliament, was selected for the assignment.

Once again, an optimistic report was received. Nielson advised that there were good prospects for a wide range of exports such as mutton and beef, butter, railway sleepers, hides and leather, wool and even coal. Nielson was evidently angling for an appointment, and opened an office in San Francisco anticipating the formal decision. With confirmation of the appointment in March 1912 at the comparatively generous salary of £1,500 and with the support of an assistant, he advertised himself as 'Neil Nielson, M.P., Trade and Irrigation Commissioner to the United States and Canada, representing N.S.W. Australia'. Irrigation was included in the title because part of the job was to attract immigrants to the emerging irrigation areas of the Riverina.

The operation of the post did not go smoothly. Nielson soon discovered that costs were much higher than anticipated and, within months, he was suggesting that the salary should be £5,000. Evidently to negotiate an improved allocation, he returned to Australia in July 1912, leaving his assistant, Patrick Quinn, in charge of the office. Percy Hunter was again sent to report on the situation in San Francisco. In 1913, he found that that the office had been poorly managed, was inadequately equipped, and compared unfavourably with

the representative office of the Argentine Republic. The government in Sydney dithered for a time. There was an approach to Victoria to share costs, and a further suggestion to the Commonwealth that it should assume responsibility. Eventually, Nielson's commission was refreshed on the premier's personal authority, presumably on a higher salary, and he returned to San Francisco late in 1913. This was the first—but not the last—political appointment of a salaried trade commissioner.

Despite the disorganisation during 1912 and 1913, the opening of the San Francisco post coincided with an upswing in exports from New South Wales to the west coast of the United States. Although the United States was not directly involved at this stage, the outbreak of World War I boosted demand for imported products. Despite early complaints of poor quality, the state established a foothold in the market for frozen beef and chilled butter. Nielson travelled widely in the United States, addressing chambers of commerce and other business groups, and issued circulars on the potential for trade with Australia. As the war dragged on, the trade commissioner became increasingly convinced that trade promotion must become the responsibility of the Commonwealth. It was difficult enough to interest the Americans in Australia and her produce; it was almost impossible for them to distinguish between the Australian states. When it became clear that the Commonwealth would appoint a commissioner to the United States at the end of the war (as discussed in Chapter 2), the New South Wales office closed in 1917.

All the other states experimented with the appointment of trade representatives in one form or another, mostly for short periods. Almost all of these appointments were honorary and, in any case, were poorly supported. Honorary appointments carried obvious dangers but were made when there was a lack of conviction that the expenditure of public funds in this way could be justified. The dangers were that an honorary trade representative would use his official position to promote his private commercial interests, that he would favour certain exporters over others, that he would not or could not adequately represent the producers of the state concerned, and that the activities of such a commissioner could regress to those of a travelling salesman.

Degeneration in this way occurred on a number of occasions. Perhaps the clearest example was the appointment of Frederic Jones in 1904 as commercial agent for Queensland in the Far East. Jones had badgered the Queensland authorities to offer him an appointment on a cut-price salary of £500. He pointed to Suttor's early success in Japan, but the immediate target was the opportunity to tender for a consignment of coal for the Philippines. Although Jones was initially appointed on a salary, this lapsed after a time and the agent continued in an honorary capacity, though he did receive costs. About a year

after Jones took up appointment, reports began to arrive that the Queensland agent was making cost, insurance and freight quotations for merchants in Australia on a commission basis. When challenged, Jones effectively admitted the charge and defended himself on the grounds that American consuls and commercial agents were paid for their reports to government and then allowed to participate in private trade either on a personal basis or on behalf of commercial firms.⁶ He failed to understand the point about conflict of interest, and the fact that he was supposed to be representing the state as whole, not individual interests. A partial defence is that there was no prior training for agents, and agreements with appointees were written in broad terms. Jones continued as Queensland agent for two more years, perhaps to avoid breaking a three-year agreement, but his service was discontinued in 1907.

South Australia used commercial agents in a rather different manner. It did not attempt to compete with Victoria or New South Wales through the appointment of salaried officials. The approach taken was the appointment of a succession of agents for relatively short periods for the purpose of commercial reconnaissance. In a limited way, this was more in the nature of the trade missions described later in this book. Thus, to provide a number of examples, in 1902, two appointments were made: Victor Newland to examine the introduction of South Australian produce into South Africa, and Sir John Cockburn with several others to report on the South Australian wine and produce depot in London. In 1903, Walter Reynell was commissioned to advise on trade and commerce in Great Britain, the Continent of Europe and other countries. Then in 1907, Edwin Pitt was invited to advise on the latest methods of horticulture, fruit drying and packing in Europe and America. Over a period of twenty-five years, South Australia made over thirty such appointments.

*A.A. Markwell,
honorary
Commercial
Agent for South
Australia
in the East,
1921–1922.*
[DEPARTMENT OF
FOREIGN AFFAIRS
AND TRADE]



In 1920, Arthur Markwell accepted one of the more substantial of these honorary appointments. Markwell was a traveller with Holden and Frost Ltd, wholesale saddlers and motor-body builders, and was described as a thoroughly experienced businessman. His remit was in one sense to act as a travelling salesman in the East, although this did not include accepting orders. He was supplied with samples of fruit, flour and other foodstuffs, and was invited to prepare full reports on opportunities for business, methods of packing and shipping.

His journey lasted from October 1920 until March 1921, and included visits to Colombo, Bombay, Delhi, Lucknow, Calcutta, Madras, Rangoon, Singapore and a number of cities in Malaya and the Dutch East Indies. One of the reasons for Markwell's trip was that South Australia was concerned about its loss of a share of the flour trade in India and the Dutch East Indies.

There were mixed views about the effectiveness of commercial reconnaissance of this type. When trade missions were dispatched by the Commonwealth in later decades, they were usually the prelude to the establishment of a trade post and detailed follow-up action. This was not the case with the South Australian experiment. Other trade representatives criticised the South Australian scheme for its short-term emphasis, although it is true that it was relatively inexpensive. Given that effective trade promotion required a long-term commitment, it is likely that the frequent overseas visits by distinguished South Australians added significantly to the pool of commercial knowledge but that the impact on the flow of South Australian exports was slight.

To say that the Commonwealth government dabbled in the appointment of commercial representatives before World War I would be an overstatement. It is true that the Commonwealth appeared to be receptive to periodic suggestions by the states that it should accept responsibility for trade promotion, but no clear steps were taken in this direction. As noted, the Commonwealth was still coming to terms with the scope of its responsibilities, and there was no consensus among the states about the need for a transfer of responsibility. Further, there was some hostility to the Commonwealth entering this field. Chambers of commerce were opposed to a transfer from the states, and there was a degree of scepticism about the value of the appointment of salaried officers for this purpose. An underlying reason was that there was no pressing economic need to take action during the six to eight years before World War I. After the recovery from the depression of the 1890s and the severe drought of 1902–1903, economic conditions were buoyant and export receipts were at a healthy level. As discussed later in this book, initiatives to establish or strengthen export promotion have usually been prompted by anxiety about the condition of the balance of payments.

We should note, however, that Sir George Reid was responsible for a number of initiatives in Europe that might have developed into a Commonwealth trade commissioner service if World War I had not intervened. Reid, an ardent free trader, was Australia's fourth prime minister and first high commissioner to the United Kingdom. He assumed office as high commissioner in 1910 and almost immediately included trade promotion among his portfolio of responsibilities. At this stage, there was no clear distinction in Australia's

overseas representation between the political responsibilities of high commissioners (and ambassadors) and the commercial functions of trade commissioners.

*Sir George Reid,
Australia's
first High
Commissioner
in London,
1910–1916.*
[DEPARTMENT OF
FOREIGN AFFAIRS
AND TRADE]



Soon after his arrival in London, he gave generous support to an Australian trade delegation, and decided that Australia should be represented at the Exposition Internationale du Nord de la France in Roubaix on the Belgian border. The Australian pavilion included displays of frozen beef, butter, and a splendid presentation of wool. Australian exhibits received more than their share of prizes and awards.⁷ The high commissioner followed this up with the preparation of pamphlets in French, German and Russian describing stock-raising

conditions in Australia and the careful conditions under which meat was prepared for export.

Reid continued the pursuit of trade opportunities in 1912 and 1913. In 1912, he visited Germany in an attempt to improve access for Australian produce, and addressed a large audience in the Reichstag; he was even received by the Kaiser. In 1913, he visited Berlin, Paris and Vienna for the purpose of establishing a network of agencies for Australian produce. In Paris, the British Chamber of Commerce was appointed to represent Australian exports, an arrangement that continued through the interwar years. In Germany, two people were commissioned as agents for Australia and to promote the country more generally. The British consul in Vienna, Owen Philpotts, was nominated to represent Australia in the Austro-Hungarian Empire. In Switzerland, an appointment had been made in 1912 of Dr John Carroll, an Australian, as trade commissioner. Carroll was effectively Australia's first trade commissioner and was granted a nominal salary and expenses. The other appointments were made on an honorary basis.⁸

The outbreak of war in 1914 swept away the agencies in Germany and the Austro-Hungarian Empire. Carroll resigned in 1915, so the embryonic European network collapsed. It did not provide the foundations for the faltering steps that were taken in the 1920s. But it was clear that there had been some pointers for the future in the experiences of Victoria and New South Wales.

First, the appointment of energetic and experienced people on a salary for reasonable periods of time, such as Sinclair and Suttor, made a mark in

the development of new export markets. But the task required exceptional ingenuity, energy and stamina. It was also clear that commercial agents could not be expected to work effectively without an appropriate level of support. At the most basic level, they needed a continuous flow of information about Australian produce and efficient distribution of information about overseas markets.

Second, the separate appointment by the states of commercial agents, partly in competition with one another, was wasteful and counterproductive. As the Commonwealth had constitutional authority for trade and commerce, trade promotion fell naturally within its sphere of responsibility.

Finally, the practice of using honorary appointment of trade representatives in the early years of the twentieth century did not offer a model for the future.

2



Trial and error

*H.Y. Braddon,
Australia's first
Commissioner
to the United
States,
1918-1919.*

*[DEPARTMENT OF
FOREIGN AFFAIRS
AND TRADE]*

In the years immediately before the outbreak of World War I, Australian exports were booming. Around one-quarter of total Australian production was exported. This ratio of exports to total production was exceeded consistently only during the remarkable years of gold discovery and production in the 1850s and 1860s; it fell sharply in the long domestic expansion of the 1870s and 1880s. The export recovery after the depression of the 1890s was due in part to a gradual improvement in wool prices and to a surge in gold production following the discovery of the precious metal at Coolgardie in 1892 and Kalgoorlie in 1893.

Export recovery was due also, as noted in the previous chapter, to diversification of export production following the depression of the 1890s. Wool still dominated, representing one-third of total exports, and gold was important but in relative decline; however, new exports had emerged from the wreckage of the pastoral economy in the early 1890s. Wheat and flour were the most important of the new commodities, followed by butter, base metals (including silver), beef and mutton. Coal, sugar and vegetables were beginning to emerge but were as yet of minor consequence. It would be too strong to say that a more balanced export profile had developed, but the nineteenth-century dominance of wool and gold had been attenuated.

After the war, the United Kingdom absorbed almost one-half of Australian exports—down from the 70 per cent or more that was characteristic before 1890. Regional diversification of Australia’s export markets had occurred as a result of growth in the market for Australian wool in France, Belgium and Germany (and, to a lesser extent, the United States). Between them, these emerging European economies purchased 34 per cent of Australian exports in 1913. Thus, Western Europe continued to dominate Australia’s export trade, as had been the case through the nineteenth century.

The outbreak of war in 1914 changed fundamentally the nature of the Australian export trade. The first change was the consequence of acceptance by Australia of a unified imperial approach to the provisioning of the war economy. Along with the other dominions, Australia signed long-term contracts for the supply of bulk commodities to the United Kingdom. The most notable of these was for wool: the United Kingdom agreed to purchase the entire Australian wool clip at a fixed and moderate price. This replaced the pre-war private wool market and, for the duration of the war, took the uncertainty out of the marketing process. The imperial scheme, however, effectively eliminated the growing markets in France, Belgium and Germany, and, at the end of the war, there was considerable uncertainty about whether these markets could be reopened.

The second change was a consequence of Australia’s geographical isolation. As the war continued, the availability of merchant shipping declined. The major commodity most affected was wheat because supplies could be obtained at lower shipping cost from Canada. Thus, although wheat was also the subject of a bulk supply contract with the United Kingdom, substantial quantities of grain were stockpiled in Australia awaiting shipment—particularly towards the

*Advertising
for Australian
butter in
London,
c. 1922.*

[DEPARTMENT OF
FOREIGN AFFAIRS
AND TRADE]



end of the war and immediately afterwards, when shipping availability was at its lowest ebb. There were also severe limits on the capacity to export meat and butter because refrigerated shipping was even more difficult to obtain than general merchant shipping. For these food items the post-war trade prospects were most uncertain. Overall, the ratio of exports to domestic production fell to 19.7 per cent by 1918.

A Trade Commissioner Service for Australia

It was in this broad economic context that the Hughes Nationalist government began in 1917 to consider the future of overseas export markets. That the country depended for its high standard of living on these markets was taken for granted. What could not be taken for granted was the restoration of traditional markets in the volumes that would be required. By 1917, plans were taking shape for the settlement of significant numbers of ex-servicemen on the land and for the resumption of a high level of net immigration to boost population growth. At the end of the war, the population of Australia stood at 4.9 million, not nearly sufficient for maintaining the momentum of economic development or for self-defence. Continuing population growth coupled with more-intensive land settlement required substantial export expansion. To the men of government at the end of World War I, this called for the opening of new markets.

From early in 1917 trade promotion, including the appointment of commercial agents, was in the wind. Necessity was beginning to overcome the pre-war ambivalence towards government intervention in the field. It was common knowledge that both Canada and the United Kingdom had established a trade commissioner service, and that Japan and the United States were using their consular services for trade promotion. On the advice of the Dominions Royal Commission, the imperial war conference recommended in April 1917 that, in the interests of the unity of the Empire, the United Kingdom government would offer to make available His Majesty's trade commissioners for the service of the Empire as a whole, especially for the promotion of intra-imperial trade within the Empire.¹ At the time, the United Kingdom had trade commissioners located at Montreal, Melbourne, Wellington and Cape Town. Over time it was expected that the number of commissioners would increase to sixteen, with new positions located elsewhere in the Empire, including India, the West Indies, the Straits Settlement and Ceylon.

In due course a formal invitation was issued by London for the self-governing dominions and India to take advantage of the British trade commissioner service. The Australian response was distinctly cool. Whereas the other dominions politely accepted the offer in appropriate circumstances, Australia

sent a holding reply to the effect that it was investigating the establishment of its own trade commissioner service. It is probable that no final response was ever sent. The Department of Trade and Customs in Melbourne had serious doubts about the ability of British trade commissioners to represent adequately Australian interests and pressed ahead energetically to develop its own plan.

At the end of a long and difficult war, it is often the case that utopian dreams emerge about recasting the world in a new light and, with respect to trade representation abroad, this was the case in Australia in 1917 and 1918. In June 1918, the minister for trade and customs, Jens Jensen, prepared an extensive report on Australia's trade representation abroad that would link with but not rely upon the British consular service.² There was a clear idea of the framework within which trade commissioners should operate:

The official must necessarily be an adviser on general principles and a source of general information. Obviously he cannot personally direct any transactions, or act as an agent of a private trader.³

The states were invited to transfer responsibility for their trade representatives to the Commonwealth to ensure unity of purpose.

The opening of a trade commissioner post in South Africa was given high priority because of the existence since 1906 of a reciprocal tariff arrangement and because of the potential for enhanced trade in butter and cheese, fodder, grain, jam, leather, machinery and a number of other primary products. That South Africa exported many commodities in competition with Australia does not appear to have been of concern.

Trade commissioner posts were also proposed for Canada, the United States, Japan and Russia (because of the assumed potential of Siberia). None of this was based on any serious analysis of the potential for Australian exports. The suggestion for a trade commissioner located in Vladivostok to tap Siberia came up repeatedly at this time and appears to have been based on the success of Canada in developing trade across the northern Pacific Ocean. It was also proposed that a bureau of trade information be established within the Department of Trade and Customs for the purpose of collecting and distributing information on trade opportunities.

What followed was a lengthy period of indecision and uncertainty reflecting an inability or unwillingness to translate broad policy into action. In response to the suggestion that a bureau of trade information be established, a Bureau of Commerce and Industry was formed in 1918 and attached to Trade and Customs. Its first task was the collection of detailed information on Australian companies and their products. Modelled in part on the British Board of Trade, a Commonwealth Board of Trade was constituted, also in 1918, to investigate and report on all matters referred by the minister for trade and customs

affecting the trade and industry of the Commonwealth.⁴ The Board of Trade was to be a high-level advisory body chaired by the minister for trade and customs and composed of two additional ministers and two senior businessmen. The two businessmen selected initially were both to play a prominent role in the development of trade policy. The first was Herbert Brookes, a prominent pastoralist who became interested in the problems of the manufacturing industry and was the nominee of the Associated Chambers of Manufacturers.⁵ The second was James A.M. Elder, who was experienced in the meat exporting trade and was the nominee of the Associated Chambers of Commerce.

The Board of Trade was an enthusiastic proponent of the creation of a network of trade commissioners, but its advice fell victim to the uncertainty and indecision of the time. One difficulty was the lengthy absences abroad of the prime minister, William Morris Hughes—first as a vigorous proponent of Australian interests in the United Kingdom in 1916, then as a member of the Imperial War Cabinet in London in 1918, and then as a delegate to the peace conference in Paris from January to June 1919. Hughes was known to support the appointment of trade commissioners. His instincts were interventionist and he had first-hand experience of the politics of trade in wartime when he struggled to maintain the sale of Australian commodities in the United Kingdom. But, with Australia's place in the world at the centre of his attention, he was not in a position to focus on the issue for any length of time.

A second issue was the cost of the proposal. By the end of the war Australian finances were under severe pressure. The war had been financed largely by debt, and debt service imposed a heavy burden. At the end of the war there were also large financial commitments for repatriation and soldier settlement. The five trade commissioner posts proposed in 1917 were estimated to cost £21,000 in total. No further action was taken at the time, although there were expectations in the media and elsewhere that Australia was about to embark on the establishment of a system of overseas trade representation. Many unsolicited applications were received in 1918 and 1919 from those proposing the establishment of posts as far afield as Sweden, Mesopotamia, San Francisco, Chicago and Vancouver.⁶



*J.A.M. Elder,
Australian
Commissioner
to the United
States, 1924.
[NATIONAL
LIBRARY OF
AUSTRALIA]*

A paper in favour of establishing a trade commissioner service was considered by Cabinet on 24 March 1919 but, in the absence of Hughes, it was decided to defer making a decision. The acting prime minister and treasurer, William Watt, was reluctant to make a financial commitment without the explicit endorsement of the volatile Hughes.

In the meantime, the prime minister was moving tentatively—but quite independently—to establish a form of Australian commercial representation abroad. The tentative nature of the move reflected the conflicting pressures on Australia. At one level, Australia was severely constrained by its adherence to the doctrine of the unity of the Empire in the conduct of diplomacy. In other words, the dominions did not conduct an independent foreign policy. The relevant ambassador or consul-general conducted their affairs within a framework specified by the Foreign Office in London.⁷ Trade commissioners as non-political appointees might be exempted from the doctrine but, as we have seen, London at the end of World War I was keen to extend the unity principle to trade.

The pressure that was moving thinking in the opposite direction was pragmatic and a consequence of the economic chaos throughout Europe at the end of the war. Despite the elegance of the doctrine of imperial unity, it was not clear that Australian commercial interests would be adequately safeguarded.

An immediate issue was the need for some form of representation in the United States to handle negotiations with American shipbuilders for the supply of fourteen ships for the Commonwealth Shipping Line. Industrial stoppages were causing delay in delivery and there were other detailed problems with the contract to be sorted out. An experienced businessman was required for a limited period. As discussed in more detail shortly, Henry Braddon (later Sir Henry) of the established pastoral company Dalgety & Co. was appointed by Hughes in September 1918 and set up office in New York the following month.

Even more tentative was the response to the suggestion that a chief trade commissioner for Europe be appointed immediately and located at Australia House in London. James Elder made the suggestion in his capacity as a member of the Board of Trade. As noted, the British Chamber of Commerce in Paris had handled Australian commercial interests in France. Elder's strong view was that there were good prospects for Australian exports to France in addition to the staples (wool and wheat), and that the British Chamber of Commerce was poorly rewarded for its efforts and not well placed to promote Australian trade.⁸

Hughes, towards the end of his period in Paris, reacted positively but also erratically. He was enthusiastic about the formation of an effective trade-promotion organisation in both London and Paris and as an interim measure asked Walter Leitch of the Bureau of Commerce and Industry—in London at the time—to act as a temporary commercial representative. Leitch was joined by Henry Braddon, who spent time in the United Kingdom after completing his term in the United States. The arrangement lasted for two months.⁹ Despite Hughes' promise to pursue a more permanent arrangement in the United Kingdom, nothing further was done. A trade commission in London was not established until after World War II.

Hughes also bequeathed an arrangement in Paris that was intended to be temporary. A young Australian ex-serviceman, Lieutenant Clive H. Voss, had favourably impressed the prime minister. Voss was married to a French woman and intended to settle in France with his wife and child; he was clearly seeking a position that would take advantage of his Australian background. Walter Leitch and Henry Braddon strongly opposed the appointment on the grounds that Voss lacked the experience required to represent Australia at a sufficiently high level.¹⁰ Before the war Voss was an accountant with the Bank of New South Wales. Nevertheless, the appointment went ahead on an honorary basis for a period of three months. This was a typical instance of Hughes' impetuosity; there would be more examples over the next few years. As will be discussed shortly, the irony was that the temporary trade representative would remain in his position as Australia's trade representative in Paris for the entire period between the wars.

Australian Commissioner in the United States

Braddon was appointed with the title 'commissioner' and reported directly to the prime minister. The title was a compromise and resulted in ambiguity and irritation to most of the incumbents. The title 'high commissioner' could not be used. Over time, the convention had emerged that the title 'high commissioner' was restricted to holders of senior diplomatic posts established within the British Empire and subsequently the British Commonwealth. Adoption of this title would have amounted to a clear breach of the doctrine of imperial unity. Use of the title 'trade commissioner' was thus an option. Indeed, the governor-general, Sir Ronald Munro-Ferguson, indicated that this was his preference, given the perceived conflict of the term 'high commissioner' with the imperial doctrine. Nevertheless, 'commissioner' remained the chosen title until the end of the 1920s. The office was not diplomatic although it did have a broad representational role. 'Trade commissioner' was a more accurate description

of day-to-day responsibilities and, indeed, the position was commonly thought of as that of trade commissioner.

There was some initial sensitivity to the Australian initiative on the part of the British ambassador in Washington, but this does not appear to have persisted. Braddon chose to send diplomatic or political matters to the British ambassador and to deal with commercial matters himself.¹¹ His agreement with Hughes was that he would accept the position for six months to deal with particular shipbuilding contract matters. As these were handled expeditiously, Braddon was anxious to return to his regular employment. He was persuaded to stay a few more months and left New York in June 1919.

Braddon was replaced by a succession of senior businessmen and a politician. The pattern was that the post would be occupied for two or three years, at the end of which the appointee would return to his business, directorships and community activity. A knighthood was usually conferred if not already held. The position was regarded as prestigious although it was modestly remunerated. Typically, commissioners contributed to the substantial entertainment expenses from their own resources.

Thus, Mark Sheldon (later Sir Mark), a prominent Sydney Catholic and general manager of the large merchandising company, J. Dalton & Co., was appointed for two years from August 1919. He was given the general brief to develop trade between Australia and the United States, publicise and provide information about Australia, take responsibility for the Commonwealth's business interests in the United States, and furnish reports at regular intervals. When Sheldon asked the prime minister to clarify his role further early in 1920, he received the tart response that Hughes was too busy to deal with such a request.¹²

Sheldon travelled extensively in the United States and energetically promoted Australia and trade opportunities between the two countries. But he was always uneasy about the uncertain status of the office. As early as January 1921 he was raising the issue of his successor and complaining to the prime minister that 'you evidently take the view that the scope of the office is considerably more circumscribed than I was led to believe when I accepted it'.¹³ This was a recurring theme and was raised regularly by subsequent holders of the office. Sheldon's biographer was unkind enough to suggest that his interest in elevating the post to diplomatic status was due in part to his desire to import liquor at a time of prohibition.¹⁴

The uncertain standing of the office failed to discourage high-profile candidates. Donald Mackinnon, who occupied the position for less than two years, replaced Sheldon in 1923. Mackinnon was a former Cabinet minister in Victoria and subsequently served in the politically sensitive position of

Commonwealth director-general of recruiting. In turn, Mackinnon was succeeded in 1924 by James Elder (later Sir James), who also served for less than two years. As noted, Elder was a member of the Board of Trade and had secured his business experience as a partner in Australia's largest meat exporter. Like his predecessors, he travelled widely on promotional tours and was an effective Australian representative despite the limitations of the office.

Sir Hugo Denison, a successful tobacco manufacturer and newspaper proprietor, was the last to hold office with the title 'commissioner'. Appointed in 1926, Denison was one of the harshest critics of the uncertain standing of the position. He was a tough and successful newspaperman who had established the Sun Newspaper Company in 1910 and launched the Sun-News Pictorial and the Evening Sun in the highly competitive newspaper market of the 1920s. He was less than ideally suited to his quasi-diplomatic role. Indeed, Denison's criticism resulted in a rethink of the standing of the position after his departure in 1928. The prime minister, Stanley Melbourne Bruce—who replaced Hughes in 1923—was a staunch imperialist and was highly unlikely to breach the doctrine of imperial unity. But the question of how to upgrade the standing of the post within the constraints imposed by established policy remained, and there was a delay in filling the position while this was sorted out. Ultimately, the government reaffirmed that it would not establish legations in foreign countries. Within the Empire the position would be 'watched'. The title of the post was revised to the high-sounding 'commissioner-general for Australia in the United States'.¹⁵

Herbert Brookes was the first and only commissioner-general. The Melbourne businessman, philanthropist and public official was closely associated with manufacturing interests and, as we have seen, was a member of the Board of Trade. He was also a member of the Tariff Board and had been president of the Victorian Chamber of Manufactures. Brookes assumed office in June 1929 and threw himself into the task with enthusiasm and panache. But, within months, he was engulfed by the calamitous stock market plunge



*H. Brookes,
Australian
Commissioner-
General in the
United States,
1929–1930.
[DEPARTMENT OF
FOREIGN AFFAIRS
AND TRADE]*

on Wall Street in October 1929, the high protectionism embodied in the Hawley-Smoot tariff of 1930 and the subsequent collapse in world trade. In the context also of the growing crisis in Commonwealth government finance in 1930, Brookes offered his resignation in September 1930 and sailed for Australia at the end of the year. The New York office remained open and was staffed at a modest level until the appointment of a trade commissioner to New York in 1938.¹⁶

At this distance, it is hard to assess the impact of the commissioner posts. In terms of trade, the impact was probably negligible. The balance of trade remained strongly in favour of the United States. To be fair, a series of short-term appointments of senior businessmen with little experience in trade promotion could not be expected to make a mark in the difficult trading conditions of the 1920s. Australia had at least raised the flag in the United States, even though the flag was predominantly British in design. As with other similar initiatives in the period between the wars, the appointment of commissioners to the United States was a tentative step towards Australia's self-recognition as an independent nation.

Representation in France

The emergence of Clive Voss as the Commonwealth government's representative in France was an example of the way the instruments of government were deployed under Prime Minister Hughes. As noted, Voss drifted into the position in October 1919 on an honorary basis for a period of three months. There was

*C.H. Voss,
Australia's
Trade
Representative
in France,
1919–1940.
Seated with
family before
returning
to France
after visiting
Australia 1933.*
[DEPARTMENT OF
FOREIGN AFFAIRS
AND TRADE]



a belief that, during post-war reconstruction, France would be a substantial importer of meat and other commodities. In May 1920 Hughes terminated the appointment. Voss appealed and was reinstated; at this point the position appears to have been made continuing. The representative in France reported formally to the high commissioner in London and reported occasionally to the prime minister.¹⁷ Reviews of the position that were conducted in 1921 and 1927 produced mildly positive comment.

The strategic thinking behind the appointment of a relatively junior person to Paris (and the failure to make a senior appointment to London as recommended) is obscure. The simplest explanation is that the appointment was inexpensive and was found to be useful to politicians and businessmen visiting Paris. Voss was knowledgeable about France and provided a courteous and deferential service for Australian visitors, including translation and interpretation.

Voss's inexperience as a trade representative, the main reason for his appointment, was palpable. He handled specific inquiries by providing information to individual Australian firms rather than to exporters more generally. Reports on his activities were sporadic and were not presented in a form suitable for wide distribution. The fact that he reported to the prime minister via the high commissioner in London meant that he was, as a trade representative, largely unsupervised. From the scant evidence available, he probably provided as much information to French exporters interested in Australia as to Australian exporters interested in France. To be fair, conditions for trade between France and Australia in the period between the wars were especially difficult. The export trade in Australian wool was well established and accounted for the large trade balance in favour of Australia. But broadening the export trade was exceptionally difficult, at first because of the weak French franc and trade protectionism, and then because of French retaliation against the sharp Australian tariff increases of the 1930s. In the 1930s Australia and France conducted a trade war and trade volumes shrank to a small proportion of earlier levels.

Yet Voss survived. In response to the financial emergency facing the Commonwealth government, the Commonwealth parliamentary Joint Committee on Public Accounts recommended in 1930 that the position be abolished. The committee offered a negative assessment of the Paris office and suggested that, for trade purposes, any European office should be located in Hamburg. But no action was taken, probably because the government was engulfed by so many political and financial crises of major proportions. By 1932 Sir John Latham, minister for external affairs in the Lyons government, suggested that abolition of the position would exacerbate an already difficult

trade relationship.¹⁸ Voss played no role in the Franco–Australian trade agreement of November 1936 that eased commercial tension between the two countries. He was still in office when Germany conquered Paris in 1940, and was subsequently attached to the intelligence branch in Australia House. After the war, he was appointed to the Australian embassy in Paris and, for his services to France for over forty years, created a knight of the Légion d'honneur.

An Eastern flirtation

We need now to retrace our steps to the early years after World War I and the attempt to formulate an approach to overseas trade representation. Leaving aside Australia's representation in the United States and France, the first two years after the war was characterised by a continuation of the indecisive and scattergun approach to the establishment of a trade commissioner service.

This changed dramatically in 1921. The immediate causes of the change were the slump in economic activity and even greater concern than before about access to overseas markets. As we have seen, Australia embarked upon a policy of population growth through immigration and of more-intensive land settlement, particularly by ex-servicemen. Many of the soldier settlers were growing fruit on small allotments irrigated by the Murray and Murrumbidgee Rivers. Fresh and dried fruit output was expected to expand rapidly when the new tree plantings came into full production within a year or two. The United Kingdom was thought unlikely to be able to absorb the additional output. New markets for fruit, and also for meat, were regarded as a matter of urgency. This was not the last time that the creation of a trade commissioner service was shaped by the search for markets for excess fruit production.

The counterpart of the post-war pessimism about traditional European markets was a gradual embrace of 'The East'. 'The East' was a broad and undifferentiated region that stretched from Bombay in the west to Tokyo in the east. The Netherlands East Indies (as Indonesia was then known) was included and occasionally so was Egypt. Indeed, trade with the Netherlands East Indies expanded during the war because supplies from Europe were cut, and the potential of this market was one of the reasons for the interest in Eastern markets. But it also has to be said that loose notions of the 'teeming millions' and 'unlimited potential' of the markets of Asia were more important in propelling the drive for a broader orientation of Australia's export trade.

On the eve of World War I, Australian exports to the Asian region were of modest proportions. In financial year 1913/14, Asia purchased 9.2 per cent of total exports. Japan and India were the most important markets and between them represented 5.7 per cent of exports. Flour was easily the most

important export commodity in the region, followed by meat and minerals. India was a large importer of Australian gold and silver but its imports of other goods were negligible. Exports to China were insignificant apart from small quantities of coal, lead and flour. At this stage wool exports to the region were negligible; exports of fruit (dried or fresh) were infinitesimal.¹⁹ Australian food products were purchased mainly by Europeans in Malaya (including Singapore) and to a lesser extent in Hong Kong and the Netherlands East Indies. The evidence suggested that, at the time, China was the least promising market in the region.

There is no indication that the Hughes government undertook any market evaluations prior to formulating its trade promotion policy. The custom at the time was to appoint fact-finding overseas missions to investigate overseas markets and to report in due course. It was a cumbersome and lengthy process, reflecting the limitations of the diminutive Commonwealth public service and serious communication difficulties.

The immediate issue was the availability of shipping to Asian ports, particularly refrigerated shipping space (and also cold-storage facilities at major destinations). Exporters were applying pressure on the government to provide subsidies to encourage shipping lines to call at the more significant Asian ports. The pressure was resisted, but the persistent interest in improved shipping underlined the common assumption that trade opportunities in Asia were around the corner.²⁰

Early in 1921 Prime Minister Hughes acted with minimum consultation and without considering strategic issues. In January an Englishman, Edward S. Little, en route to New Zealand, arrived in Sydney to holiday with family members. Little had been a missionary in China but, for almost twenty years, he had been employed by the large British chemical exporter Brunner Mond & Co. in the position of general manager, Far East. Shortly after the war, a disagreement emerged between Little and Brunner Mond in England on future directions for the company, and agreement was reached that the general manager would offer his resignation.²¹

Don Fitch, Little's biographer and a former trade commissioner, provides a detailed account of his subject's initial Australian landfall. After the Sydney visit, the fifty-six-year-old Little, accompanied by his wife, planned to go to New Zealand to start a new life. The trans-Tasman crossing was delayed by an industrial dispute on the waterfront, and the Littles decided to journey to Melbourne—the federal capital—to take advantage of several high-level introductions.²²

In Melbourne, Little had an introduction to E.L. Piesse, an early Australian advocate of engagement with Asia and, at the time, director of the Pacific

branch of the Prime Minister's office. He met Herbert Brookes and the minister for trade and customs, Walter Massy Greene, and then, on 20 January 1921, Prime Minister Hughes. Discussions included the desirability of appointing a trade commissioner to China. Little's views were sought about the potential for Sino-Australian trade. The answer was predictably positive: direct trade between the two countries would be promoted by subsidising shipping links and by the appointment of a trade commissioner conversant with the Chinese language and customs. Within a short period the terms and costs of such an appointment were outlined, as well as the potential for Australian exports to China (flour, timber, sugar, metals, leather, paper and fish products). It is unlikely that Little was seeking to extend his career by travelling to Melbourne, but he was not slow to open the door when opportunity knocked. In characteristic fashion, Hughes was convinced that Australia required a trade commissioner in China and was equally convinced that the visitor from China, with his depth of local business experience, was the most suitable person for the position. Little found himself with an attractive job subject only to agreement about terms and checking with his previous employer. By the end of January 1921 the offer was accepted. The formalities having been completed, the agreement was signed on 7 March 1921. The first Australian trade commissioner to China was appointed for twelve months and, 'If the Parliament ... so authorizes but not otherwise the engagement shall extend for a further period of four years ...' Little assumed that this was in effect a five-year appointment.²³

Problems abounded in the way the appointment had been made. The most obvious was the lack of consultation. The business community, particularly in Melbourne, had been insisting for several years that any trade commissioner appointment should be made on their recommendation and only after appropriate consultation. The appointment of an unknown Englishman with no first-hand knowledge of Australia was a slap in the face. After all, the trade commissioner was to represent commercial interests, not only the government. The failure to involve the business community was an elementary error and one that was to undermine Australia's official attempt to enhance commercial relations with China. This is to say nothing of the lack of advertising for the position and the absence of due process in making the appointment.

The attack on the appointment was immediate. The *Age* in Melbourne launched an attack not only on Little's appointment but also on the very idea of public intervention in trade promotion. Essentially the argument was that such intervention was a waste of money and an inappropriate extension of the role of government.²⁴ It was an interesting line for the *Age* to take in the context of its long history of support for protective tariffs for the manufacturing industry. The attack, which was sustained for several years,

reflected in part offended commercial interests, and perhaps some interests that felt that their niche markets in China might be undermined by the intervention of a trade commissioner. To an even greater degree, the attack was propelled by antagonism towards Hughes and his style of government. With his unpredictable and autocratic propensities and interventionist instincts, Hughes was thoroughly detested by a large proportion of the business community—and by many others. Little's appointment had a number of significant shortcomings, but ultimately he was a pawn in the political process that led ultimately to the fall of Hughes as prime minister in February 1923.

Unaware of these currents, Little spent eight weeks touring the Australian states in March and April 1921 in an attempt to familiarise himself with the mercantile community and its products. In most cities, he received a reasonable reception and impressed many with his energy, air of authority and knowledge of the commerce of China. He arrived in Shanghai at the end of May 1921 and set up office shortly afterwards.

Little encountered personal and political problems from the outset. The small Australian business community in Shanghai must have had difficulty in suspending disbelief at the reincarnation of the very English businessman and former missionary as Australia's trade commissioner in China, an appointment that was to extend to Hong Kong, Cochin-China and Siberia. From the outset he was under attack from the Australian business community, largely on personal grounds. The cultural differences between the Englishman and the Australian expatriates could not have been greater. The newly appointed trade commissioner exuded a sense of authority and superiority, cultivated a sense of social distinction and spoke Chinese fluently. The Australian lack of social pretension and egalitarian ethos were deeply offended.



*E. Little,
Australia's first
designated Trade
Commissioner,
pictured in
China, 1921.
[DEPARTMENT OF
FOREIGN AFFAIRS
AND TRADE]*

Even so the subsequent course of events was astonishing. Little appointed an Australian in need of work, Luke Crommelin, as temporary secretary to assist in the task of trade promotion. Almost immediately Crommelin proceeded to compile a list of charges against his employer. The case against Little was that he used his position to advance personal business interests, that he ostentatiously painted the Australian coat of arms on his private motor vehicle, that he engaged in political matters in China, that he exaggerated the potential of Australian trade with China and that his travels within China were poorly judged and without actual or potential benefit to Australia. The clear intention was to undermine the trade commissioner's appointment.

In the meantime, Little busied himself with the task of providing information and commentary on Australia, answering trade inquiries, and preparing bulletins on market conditions in China. The trade commissioner's ventures into geo-political commentary, in particular, antagonised Australians in Shanghai who believed that Little was in no position to venture into politics and should confine himself to commercial matters.

Little produced short trade bulletins every four or five weeks on subjects as diverse as railway sleepers, canned fruits, jams and canned meat. Usually these were written in general terms and could not easily be used for trading purposes. Subsequent bulletins dealt with how to do business in China, cotton and the implications of electrification. The fourth bulletin on canned meats opened in the following manner:

The Chinese are a race of meat eaters: the amount of their consumption being bounded only by the extent of their purses. They have never evolved a purely native process of canning as a means of preserving meats from one season to another. The only processes in common use are drying and smoking.²⁵

Mention was made of a canning factory in Shanghai, and the fact that Canadian interests had established canning capacity for meat, poultry, game and fruit.

Crommelin's complaints against the trade commissioner were received in Australia in October 1921. What followed was a series of procedural errors that descended ultimately into farce. The government did not take the orthodox step of making the report available to Little and asking for his response. It commissioned an Australian businessman, Major I. Isaacson, who was about to travel to China on other business, to provide a confidential report on the trade commissioner's activities. Little was not warned in advance and Isaacson proceeded first to hear complaints from his detractors. Isaacson only confronted Little at the end of his investigations, when he had made up his mind that the complaints were justified; however, no written report of his findings was produced. It would be difficult to find a more comprehensive denial of natural justice.

Little felt completely undermined by the accusations. Although Isaacson had no authority to do so, he secured Little's resignation in January 1922 and this was immediately cabled to Melbourne. The government was shocked that Isaacson's unofficial inquiries should have produced such an outcome, and there was belated recognition that the process was out of control. The resignation was not accepted. Little was urged to continue in the role. He did so despite what must have been substantial misgivings and despite the fact that he was advised that an officially constituted inquiry would be conducted in the near future.

Senator Thomas Bakhap was the person chosen to conduct the inquiry. Although Bakhap was racially Caucasian, Bakhap's stepfather, with whom he developed a close relationship, was Cantonese. Also, he learned to speak Chinese fluently and was supportive of the Chinese community in Tasmania. These Chinese interests and skills were the primary reasons for his appointment. He was also invited to advise on the potential of Australia–Asia trade more generally.

On arrival in Shanghai in March 1922, Bakhap proceeded in a more judicial manner, perhaps even to a fault. Evidence was to be presented in front of both Little and Crommelin. Few individuals were prepared to come forward under these circumstances. Other inquiries suggested that Little was in good standing across a broad section of the business community in Shanghai and it appeared unlikely that there was a substantiated case for him to answer.

The senator's verdict was that Little had no case to answer and that the accusations against him were inspired by a combination of envy and street scuttlebutt. Crommelin was portrayed as a person consumed by a desire for self-advancement and blinded by local animosity towards his boss. Bakhap concluded:

I consider him [Little] to be an excellent man for the position and I believe that it would be exceedingly difficult to get a better one. Although the inquiry is over I am daily reading in the pages of the Municipal Gazette direct evidence that Little is held in high esteem by worthy Europeans and Chinese.²⁶

No doubt, Bakhap was gilding the lily. There were problems with the trade commissioner's limited knowledge of Australia, with his modest interpersonal skills and with his inclination—perhaps inadvertently—to portray himself as a political as well as a trade representative. The appointment as Australian trade commissioner in China of an Englishman with the social distinctions of the nineteenth century was offensive to emerging Australian nationalism post-World War I. This allowed Crommelin to cultivate the antagonism of the British minister in Peking, who was concerned above all to protect the primacy of imperial unity. In other respects, Little was a victim of a grubby

parochial conspiracy. Much of the difficulty arose in Australia at the time of Little's appointment, when the prime minister failed to consult with and secure broad agreement from the Australian commercial community in favour of the appointment of a trade representative in China.

The replacement of Hughes as prime minister in February 1923 in favour of a National-Country Party coalition led by Stanley Melbourne Bruce changed fundamentally the approach to export trade promotion. As we shall see shortly, Prime Minister Bruce was a firm adherent of the doctrine of imperial unity. In any case, by 1923 trade prospects had improved. There was still anxiety about markets for the new export commodities, but trade conditions following the slump of 1921/22 were improving. Moreover, new techniques for export trade stabilisation were being devised.

It was in this context that Bakhup's exoneration of Little was of no practical significance. While the formal decision cannot be traced, it is clear that the new government had decided to discontinue the appointment of the Australian trade commissioner in China. The decision to dismiss Little was announced in Parliament by the minister for trade and customs, Austin Chapman, on 23 July 1923.²⁷ Little was advised immediately. No formal explanation was given other than the general comment that the position had not achieved its objective. That might well have been the case, but it was quite unrealistic to expect a change in export flows within twelve months of a trade commissioner's appointment, particularly in a difficult country such as China. The issue was not the volume of trade. It was the change in approach of the new government against the background of sustained hostility towards Little in Melbourne, Shanghai and Peking. Little was given three months' notice and his position was terminated formally on 18 October 1923. The erstwhile trade commissioner was convinced that his appointment was for a period of five years and that his dismissal was illegal. But his appointment had not been extended beyond twelve months by an express decision of government. It had been extended merely *de facto* by the government's decision—perhaps inadvertent—to continue payments to him for a short period beyond the initial twelve months. A court case in a more litigious environment might well have produced some compensation. For many years Little pleaded the injustice of his treatment to both coalition and Labor governments. He received no consideration whatsoever.²⁸

We now need to retrace our steps some twenty months to the latter part of 1921, when Hughes was still prime minister. In similar circumstances Hughes pushed through a second trade commissioner appointment in Asia. The details were different, but the style and circumstances of the appointment amounted almost to a carbon copy of the steps that led to the Little adventure.

Egbert Thomas Sheaf, an Englishman, was almost unknown in Australia before his sudden appearance at the end of 1921 as a potential trade

commissioner. Although Sheaf appears to have spent time as a fruit grower in Australia, his primary claim to attention was that he had spent about twelve years as the Kodak Company's representative in 'The East' and before that in South America. In background and style Sheaf bears the characteristics of an early twentieth-century adventurer who possessed the salesman's instinct for a prime commercial opportunity.

It is not clear how Sheaf came to the attention of the government. Don Fitch believed that Sheaf was introduced to the prime minister by a personal friend of Hughes, Dr T.E. Green of Bendigo.²⁹ In pursuit of appointment, Sheaf presented an ambitious plan to create a trade commissioner service from India to Japan with a large number of subordinate appointments. The presentation was highly optimistic. The theme was the unlimited opportunities for Australian trade because of the familiar 'teeming millions' and the proximity of Asia and Australia.³⁰ Hughes was still in a state of high anxiety about markets for Australian fruit and meat. He swallowed the bait without hesitation.

On this occasion, Hughes prepared the ground with greater care, but only at the political level. The issue of trade representation was placed on the agenda of the conference between the Commonwealth and the state premiers in October–November 1921 as a matter of urgency. Somewhat reluctantly the states agreed to the extension of the trade commissioner scheme on the basis of cooperation between the Commonwealth and the states. Two new appointments were to be made, one to the United Kingdom³¹ and the other to 'The East'. The Commonwealth accepted one-fifth of the cost and the states four-fifths, shared between the states on a per capita basis. The state premiers were clearly lukewarm about it, but Hughes used bulldozer tactics to force agreement.³²

A cost-sharing approach was devised partly to spread costs and partly as a way of building a national approach. But it meant that the trade commissioner was accountable to six governments, which made the task of effective reporting extremely difficult. The arrangement was also unstable. A change of heart by any government had the potential to undermine the scheme as a whole. It should be noted, however, that Little in Shanghai would remain the sole responsibility of the Commonwealth.

Sheaf was presented to the state premiers on 18 January 1922 and generally made a good impression. He had already met with the premier of Victoria, Harry Lawson, and impressed him with his knowledge of 'The East'. Sheaf, forty-seven years of age at the time, had an engaging and open manner. He was also an excellent salesman and presented a highly optimistic future for Australia–Asia trade. It was generally agreed that an experienced businessman

of good repute and knowledge of the region should be appointed to the new position. Sheaf did not speak an Asian language but, in other respects, he seemed well suited for the role. Some premiers were more concerned about the quality of Australian exports, and highlighted the need for close coordination between producers, exporters and the trade commissioner. Hughes brushed aside any such concerns and put his faith in the quality of the appointee. Also brushed aside were questions about the relationship between Sheaf and Little.³³ Sheaf was appointed Australian trade commissioner in the East with overall responsibility for Asia, and to be located in Singapore. Sensibly the two trade commissioners were left to work out the details for themselves. They did so by agreeing to allocate China other than south China to Little and the remainder to Sheaf. There was more than enough territory for both of them. The South Australian trade commissioner in the East, Arthur Markwell, was also expected to fit into the overall scheme.

The announcement of Sheaf's appointment on a three-year contract produced further attacks by the *Age*, with the obvious support of the chambers of commerce and of manufactures in Melbourne, on the very idea of trade commissioners. No new ground was broken in the new attack except that the language was more virulent than before. Essentially the argument was that

trade commissioners were an unnecessary expense and involved inappropriate interference by government in the conduct of trade. Exporters used their own agents and therefore had no use for the trade commissioner service, an argument that ignored the needs of new exporters attempting to break into new markets. The failure to appoint a man recommended by the business community and familiar with Australian conditions was the subject of special condemnation. Again,

E. T. Sheaf,
1922–1925.
[DEPARTMENT OF
FOREIGN AFFAIRS
AND TRADE]



boiled down to its essence, the attack was on the interventionist style of the prime minister.³⁴

After several weeks visiting state capitals and meeting current and potential exporters, Sheaf established his office in Singapore in March 1922 and devised the name 'Austrade' for cable correspondence. From the outset the resources made available failed to match the ambitious plan of representation that, in theory, extended from India to Manchuria. Fulfilment of the plan would have required an annual budget of £100,000; the amount granted was £12,500 per annum. Even this figure was regarded as excessive in certain quarters. Adequate funding of priority projects was not part of the Australian tradition.

Sheaf proved to be an energetic, able and forthright representative. He travelled extensively and helped to raise consciousness of Australia in a region that was barely conscious of the country's existence. He handled a large volume of inquiries about trade prospects and offered well-considered advice on ways of improving marketing and packaging. Indeed, he was highly critical of the presentation of Australian produce as often shoddy and unimaginative, so much so that he ruffled more than a few feathers. He struggled with the problem of landing perishable goods such as fresh fruit at Asian ports in good condition. He produced regular synoptic bulletins on trade conditions and opportunities intended for wide distribution through the Commonwealth Bureau of Commerce and Industry and the state governments. Even then some premiers complained that they had not been kept informed adequately.

In October 1924, for example, Sheaf wrote in detail about the task confronting Australia in the marketing of fruit:

I trust, however, the report will serve to show the main difficulties confronting Australia, including those presented by American competition in canned fruits, Eastern competition in dried fruit, and the difficulties, over and above those relating to ocean transport, in the fresh fruit trade. None of these can be successfully over-ridden, on a large scale, until Australia deals with certain fundamental domestic deficiencies by way of quality standardization of the different varieties, packing, export, and marketing.³⁵

In another report he explained his preferred *modus operandi* in view of his vast territory and limited resources:

In trade propaganda there is no method that gives the same return as the personal interview, and, within the limits of my grant, I would like to see further expense incurred, either by making my present organization mobile, so that it could move from one country to another—spending sufficient time in each large centre to stimulate interest in Australia—until the whole Orient had been covered, or by the use of field officers—men with the qualification of

long residence and experience in import and export trade in the East working for trade openings and collecting useful trade intelligence, especially in Java and South China.³⁶

Despite his extensive travelling, however, Sheaf was never given the resources to establish a mobile organisation.

After two and a half years of strenuous effort, the future of the trade commissioner's appointment was under consideration by the premiers and the Commonwealth in October 1924. Prime Minister Bruce assumed a passive role, in marked contrast to his predecessor. Bruce simply asked whether there was support for continuation. Support was not forthcoming. Most states were unconvinced that the expenditure was justified. Small states such as Tasmania could identify no benefit from their admittedly modest contribution. Only Western Australia was supportive of continuation. Sheaf's appointment concluded on 17 January 1925 after a pioneering effort in especially difficult conditions. In these circumstances he performed his task credibly, but the dice were stacked heavily against him. For the time being the flawed approach to the opening of new markets to Australia's north was at an end. The attempt was reopened ten years later in radically altered conditions.

An important explanation of the flawed approach was the relative weakness of the Commonwealth government at this time. The institutions of government were barely established. The departments of state were largely administrative and had few policy-making functions. The Department of Trade and Customs, for example, was concerned primarily with the collection of customs duties; it had little capacity to advise or develop policy on wider trade issues. The Bureau of Commerce and Industry was established partly to fill the gap, as we have seen, but the bureau, as a part-time entity with cumbersome procedures and little financial clout, was unable to act as an effective counterfoil. In these circumstances, the enthusiasm of a handful of individuals prevailed, notably the unpredictable initiatives of Prime Minister Hughes. More effective penetration of Asian markets by Australia in the 1920s would have been a major undertaking in the best of circumstances. The creation of an under-resourced trade commissioner service without the strong support of the commercial community was a recipe for failure.

Orderly marketing

The formation of the Bruce–Page government in 1923, which brought the newly established Country Party into government for the first time, brought in a new approach in support of vulnerable export industries. Although by 1923 exports had recovered from the sharp contraction of 1921, the problem of surplus production in fruit and meat was as acute as before. Further, there was

keen disappointment in Australia that the imperial conference of 1923 failed to embrace the idea of imperial preference. Improved access to established markets in the United Kingdom was regarded as a more effective approach than the attempt to penetrate non-traditional markets to the north.

The new approach was to be a form of market intervention known as 'orderly marketing'. Predictably the fruit industry was the first to receive attention, but the principles of orderly marketing were to be applied to most of the newer export industries in the period before World War II. The Dried Fruits Export Control Board was established in 1924 to take responsibility for tackling a range of problems in the marketing of dried fruit. These included the need for standardisation and quality control, market penetration and promotion and, eventually, the determination of domestic prices and 'equalisation' to growers of returns from domestic and overseas sales. This was a first step in the extension of a form of protection to agricultural producers and was also seen as a mechanism of export promotion.

As we have seen, an additional reason for the discontinuation of the experiment with trade commissioners was the practical and philosophical position of Prime Minister Bruce. In practical terms, Bruce was influenced by the torrent of criticism of trade commissioners emanating from his home town, Melbourne. Philosophically, Bruce was firmly in the unity of the Empire camp and, in 1927, explicitly ruled out the creation of an independent representation abroad unless special relations existed between self-governing parts of the Empire.³⁷ By implication, there was little or no role for trade commissioners in the advancement of Australia's external interests.

3



Trade warriors

*V.G. Bowden,
Trade
Commissioner
Shanghai,
1940.
[DEPARTMENT OF
FOREIGN AFFAIRS
AND TRADE]*

The trade commissioner service was re-established in the 1930s in the most difficult of circumstances. World trade collapsed after 1929 under the pressure of financial disintegration in the United States, sharply falling income and investment in almost all developed countries, rising protectionism and quantitative restrictions on trade flows, and the disintegration of multilateral trade arrangements. Multilateralism was replaced by bilateral arrangements often intended, in vain, to export the effects of severe depression to other countries.

As primary producing countries, Australia and Canada were most severely affected by the depression. In terms of value, Australian merchandise exports fell by almost one-third between 1928/29 and 1931/32. Export prices fell even more sharply—by 56 per cent over the same period. National income fell by 30 per cent and, in 1931, unemployment reached 30 per cent of the work force. The country struggled to maintain national solvency and did so only by the adoption of drastic measures to cut imports and encourage the manufacture of goods previously imported. Australia's self-confidence as a major trading nation was severely bruised. The ratio of exports to gross domestic product, which had been a proud 25 per cent or more at the beginning of the twentieth century, shrank to around 15 per cent in the early 1930s and,

for most of the next 60 years (the early post-war years excepted), remained at around this level. A decisive change occurred in favour of encouraging the growth of manufacturing and, more generally, of replacing imports with local products.

This might seem an unlikely context for the re-establishment of the trade commissioner service. But exports were still vital for the Australian economy. In a world of greatly reduced trade with traditional customers, the search for new markets was even more pressing than it had been in the 1920s. At a time when antagonistic trading blocs emerged and trading arrangements were negotiated on a bilateral basis, the new trade commissioners were required to be as much diplomats as promoters of trade. Indeed, it was their demonstrated value as diplomats of trade that established the trade commissioners as an integral part of Australian government.

Starting afresh with Canada

Re-establishment of the service was brought about in an unexpected manner by the Bruce–Page government without strategic intent in May 1929, not long before its electoral defeat on 22 October 1929 by the Labor Party led by James H. Scullin. The particular circumstance was the ever-present need to secure new export markets for dried fruit, and the willingness of the Dried Fruits Export Control Board to provide substantial financial support for the appointment of a commercial representative in Canada. The board had established an agency in London, but no similar commercial arrangements existed in Canada or New Zealand. Californian seeded raisins dominated the Canadian market but, with the gradual shift in sentiment encouraging trade within the Empire, there appeared to be opportunities for Australian dried fruit. Rupert A. Haynes, director of G. Wood and Co., a wholesale grocer in Adelaide, represented the board in Canada in 1927. Prospects were judged to be sufficiently promising for the board to offer to meet a substantial proportion of the cost of an Australian trade commission in Canada.¹ Despite the government's philosophical reservations, this was an offer that was difficult to refuse. Haynes, who was well regarded personally and commercially, was offered a five-year contract in February 1929 and was to be directly responsible to the minister for markets and transport. Announcement of the appointment was welcomed in Australia and Canada. It is interesting that there was none of the criticism that had surrounded trade commissioner appointments in the early 1920s. This suggests that the appointment of a local businessman had assuaged the critics but also that the earlier criticisms were politically motivated and that Prime Minister Hughes was the real target.

Charles E. Critchley, previously of the Taxation Department and a Melbourne Commerce graduate, was appointed assistant commissioner and undertook the detailed work of setting up the office in Toronto. Critchley's appointment was significant not only because it was the first appointment of an assistant commissioner but also because Critchley was to have a long and distinguished career in the trade commissioner service. With the appointment of Haynes and Critchley, and with the broad support of Australian business interests, it appeared that secure foundations had finally been laid.²

Once again, however, there was an upset. No sooner had Haynes settled into his position than he was abruptly recalled to Australia and was effectively asked to resign. The circumstances were that in October 1929 arrangements were nearing completion for the transfer of the export business of H.V. McKay Pty Ltd, the celebrated agricultural machinery manufacturer, from Australia to Canada. The ostensible reason was that H.V. McKay could no longer compete in export markets because of high labour costs in Australia caused by compulsory arbitration. At the time of the announcement, the election campaign that would result in the defeat of the Bruce–Page government was in full swing. The issue of compulsory arbitration was highly sensitive, with the government proposing the return of the arbitration power to the states, and the Labor Party insisting that the compulsory system at the Commonwealth level was a primary instrument in the country's progressive industrial system.

Although far removed in Toronto and insulated from the political hurly-burly in Australia, Haynes in an interview is reported to have implicitly supported the H.V. McKay decision by expressing his understanding of the decision to relocate and providing statistics that highlighted the superior Canadian industrial climate and productivity performance.³ In ordinary circumstances the remarks, addressed as they were to a Canadian audience, might have gone unnoticed. But, when reports reached Australia, Haynes was marked by Labor as a class enemy. On the election of Labor to office a few days later, the Cabinet requested the recall of the trade commissioner. If his explanation were deemed unsatisfactory, his resignation would be requested. Upon his return to Australia in March 1930, Haynes promptly resigned and returned to his business interests in Adelaide. It appeared that an Australian trade commissionership had become the riskiest position in public life. The decision of the new Scullin government was blatantly political and reflected considerable immaturity. In the meantime, Critchley continued in Toronto as acting trade commissioner.

It should be noted, however, that the new government was broadly supportive of the role that was then described as commercial intelligence. Indeed, early in 1930 a move was made to find a replacement for Haynes

and there was even talk within the government of expanding commercial intelligence. The first step in this direction would be the establishment of a training scheme for officers of the Commonwealth public service. Unfavourable comparisons were made with Canada, which had thirty-two representatives in the field, and with New Zealand, which had fourteen. The intention was to make an immediate start and train three officers over a period of three or four months.⁴ The earlier emphasis on the recruitment of experienced business people had been replaced by the Labor Party's traditional preference for public servants. Nothing further was done at this time, however, because of the deepening crisis in government finance.

Before the full impact of the depression had been felt, however, Lewis R. Macgregor was appointed Australian trade commissioner in Canada. Once again, the process of appointment was informal. Macgregor was well known in Queensland as an effective director of the Agricultural Organisation who had worked successfully with a number of Labor premiers. It was one of these former premiers, E.G. Theodore, now Commonwealth treasurer, who recommended the appointment. The governor-general, under letters patent, appointed Macgregor for a period of five years from 31 March 1930. He would report to the minister for markets and transport, Parker J. Maloney, who reserved the right to terminate the appointment at any time.

*L.R. Macgregor
(L), Trade
Commissioner,
and C.E.
Critchley,
Assistant Trade
Commissioner,
with the staff
of the Toronto
Office, 1935.
[DEPARTMENT OF
FOREIGN AFFAIRS
AND TRADE]*



After such a rocky start, Macgregor did much to establish the trade commission as a necessary part of government. Born in England in 1886 and educated in Scotland within the strict discipline of the Presbyterian Church, Macgregor received early training in land management. He became assistant manager of a group of estates in north Bengal, India, and, shortly before World War I, he migrated to Western Australia, where he became

secretary and accountant to a group of large fruit and grazing properties south-west of Bunbury. His subsequent advancement was rapid. In 1914 he was appointed chief inspector of the Farmers Co-operative in Western Australia (responsible for the state's wheat crop), and was subsequently appointed manager. He had established himself as an effective and knowledgeable manager with a broad range of skills. When appointed to his position in Queensland in 1922 at the age of thirty-six, he became one of the highest paid public servants in the state.⁵

In terms of the opportunities for trade promotion between Australia and Canada, the timing of Macgregor's appointment could not have been less propitious. As noted, even before the depression, trade between the two countries was at modest levels and there was little prospect of enhancing volumes as both economies contracted sharply. But, as was to become characteristic of the 1930s, the trade commissioner's activities were devoted to diverting trade from one trading group to another. Macgregor—and those who were to follow him in the mid-1930s—were to become diplomats or, more appropriately in the circumstances, warriors of trade.

Macgregor arrived in Toronto around the time of the enactment of the aggressive Hawley-Smoot tariff increases in the United States, fiscal measures that bore heavily on Canada. The new trade commissioner was adept at securing and cultivating contacts and, while travelling across Canada, obtained an introduction to the recently elected conservative prime minister, Richard B. Bennett, a strong supporter of strengthening imperial ties. During his first visit to Ottawa and meeting with Bennett, Macgregor was given a warm reception, including an introduction to the Canadian Cabinet. As part of a lengthy conversation, it was suggested that the two countries might initiate commercial negotiations. There already existed a loose Canada–Australia trade agreement of 1924 but this had had little impact on the volume of bilateral trade. It is clear that the Canadians were responding to the American tariff hike and were seeking some refuge within the imperial fold—an early step towards the comprehensive system of imperial preference negotiated at Ottawa in 1932.⁶

In negotiating details of the new agreement, Macgregor was given a remarkably free hand. One important reason was that the Labor government had its mind on more pressing matters as the financial crisis intensified during 1930 and internal divisions were emerging as to the most appropriate policy responses. Macgregor appears to have completed negotiations by means of a number of doorstep meetings with Bennett.

The Canada–Australia trade agreement of 1931 secured improved access in Canada for Australian butter, dried fruit, wool and wool tops, sugar and wine.

In exchange the Canadians secured preferential treatment for motor vehicle chassis, lumber and paper-pulp exports to Australia. Essentially the intention was to divert trade from the United States to Canada. For example, until 1931 the United States supplied 85 per cent of Australia's softwood imports from North America and there appeared to be considerable scope for much of this trade to be diverted to Canada.⁷ A similar outcome was intended with motor vehicle chassis. On the Australian side, the expectation was that Australian dried fruit would displace Californian. The agreement also made provision for improvements to shipping links between the two countries, and for price control to be used to avoid advantage being taken of tariff preferences.

There is no doubt that the trade agreement had a positive impact on Canada–Australia trade. The value of two-way trade increased from £4.2 million in 1929/30 to £9.7 million in 1938/39 at a time of generally stagnant trade. But the bilateral trade balance continued to be strongly in Canada's favour. Australia was too heavily reliant on a relatively narrow range of primary commodity exports such as dried fruits, butter and wine under severe price pressure in North America. By contrast, Canadian exports were more diversified because they included both manufactures and commodities.

After the defeat of the Scullin government in 1931, and fearing that he would be seen as a Labor Party appointee, Macgregor initiated a correspondence with the newly elected prime minister, Joseph A. Lyons, soon after the United Australia Party assumed office early in 1932. Information was provided on matters of public importance in Canada, on the chronic Canadian budget deficit of 1931 and 1932, on Canadian ports policy, on unemployment and farm relief, on the Canada–New Zealand trade agreement, and on the forthcoming imperial conference to be held in Ottawa.⁸ Macgregor travelled extensively in Canada to publicise the Canada–Australia trade agreement, and helped organise a 'goodwill ship' to visit eastern Canada laden with Australian produce. Because of the absence of political representation, the trade commissioner defined his role broadly and acted from time to time as an ambassador or consul-general, providing reports and advice on political as well as on commercial matters. Indeed, when he was first appointed, he was encouraged to act as 'envoy extraordinary'. Gradually the principle of diplomatic unity within the Empire was being eroded.

The Ottawa conference in 1932 helped to consolidate Macgregor's personal standing with key members of the Lyons government. The large Australian delegation was led by the Australian high commissioner in London and former prime minister, S.M. Bruce, and by the minister for trade and customs, Sir Henry Gullett. By his own account, Macgregor was treated frostily when he met the delegation in Vancouver because, he assumed, he

was regarded as a Labor appointee.⁹ But he was able to facilitate arrangements for the party to such a degree that he was regarded with affection by the end of the conference. This was despite the fact that he was personally opposed to the Ottawa principles: the building of a high tariff wall around the Empire in an attempt to promote inter-Empire commerce at the expense of trade with 'foreign' countries. Macgregor was a skilled and diplomatic public servant who knew how to separate personal views from the political imperatives of ministers.

As an indication of his rising status, Macgregor was asked to undertake a number of fact-finding missions in the years after the Ottawa conference. In 1932 he visited Newfoundland, which was not at this time part of the Canadian Union, to undertake a review of trade possibilities. Newfoundland had been ravaged by the depression and trade prospects were not promising. In 1933 he was invited to undertake a goodwill and trade survey of the British West Indies. In 1935, following a 'refresher' visit to Australia, he returned to Canada via Asia (including the Philippines and New Guinea) to report on prospects for Australian trade. This was shortly before the appointment of trade commissioners to Tokyo, Shanghai and Batavia. And then in 1936—again after a visit to Australia—he returned to Canada via southern and central Africa, largely as a goodwill visit and as a way of expanding Australia's contact with a part of the Empire with which there had been limited contact. These visits reflected not only a search for new trade opportunities but also a tentative shift to a more independent Australian approach to trade and political relations.

Before Macgregor left Australia in 1936, it was indicated that he would soon be asked to relocate to New York to provide high-level representation in the United States. As noted in Chapter 2, the New York office had been in caretaker mode since 1931. Commercial relations between Australia and the United States were poor, largely because of anti-American discrimination embodied in the British preferential system at Ottawa. By the late 1930s, however, with the appointment of Cordell Hull as secretary of state, there was the possibility of a more liberal approach by the United States to trade with the rest of the world. A UK–US trade agreement was in the wind, with important implications for the Ottawa system. Macgregor became trade commissioner in New York in 1938, as will be discussed later in this chapter.

Macgregor's achievement was that he established the credibility of the position of trade commissioner. This was no mean feat following the controversy and unhappy appointments of the 1920s. For the first time there was some evidence that trade was promoted by such an appointment, and that there was advantage in on-the-spot representation as part of bilateral trade negotiations. Macgregor's success helped the Lyons government to have

sufficient confidence to establish a continuing trade commissioner service by legislation.

Reassessing the potential of the East

The Lyons government came to office at the nadir of the depression. Its primary commitment was the restoration of public finance over a period of three years by stabilising revenue and reducing expenditure. There would be no early opportunity for additional expenditure on the public service. By its very nature, the Lyons government was cautious and conservative. Any initiative would be carefully considered and advanced tentatively.

At the same time the country was desperately in need of new markets for its primary exports. Prices for wool, wheat, meat and fruit were ruinous. In many instances, particularly for wheat, prices were below the cost of production. Despite the Ottawa agreement, the United Kingdom was turning protectionist and no longer offered prospects for market growth. Traditional markets in France, Germany and Italy were largely closed by the imposition of protective tariffs and quantitative controls. The United States, as we have seen, had become even more protectionist and had turned in upon itself. Despite the disappointment of earlier Eastern adventures, therefore, there was a growing recognition that 'The East' must again be explored.

The first step was taken in mid-1932 with the appointment of Sir Herbert Gepp to undertake a mission to the 'Far East' and prepare a report on the potential for Australian trade with the region. At the time Gepp was consultant on development in the Prime Minister's Department. Previously he had been chairman of the Development and Migration Commission and was by profession a metallurgical engineer. Gepp was not particularly knowledgeable about the region to Australia's north, but he was 'available': development work had ground to a halt because of the depression.

The report of the mission was presented in September 1932 after a brief tour of the region. Gepp had spent most of his time travelling and had little opportunity for detailed analysis of the issues; information on trade conditions was located in a number of uncoordinated attachments to the report. Nevertheless, he made recommendations that helped to shape the future. He recommended that favourable consideration be given to the establishment of official representation abroad, and that a special commercial envoy be sent to the 'Far East' for a period of six to nine months to make a close assessment of the prospects for Australian trade and to assess the extent of the permanent representation that would be required. It was also proposed that, pending the appointment of permanent representatives, several part-time 'trade correspondents' be appointed in Shanghai and in Tokyo, Yokohama or Kobe

for the purpose of providing monthly reports on trade conditions. Further, conscious of the lack of consultation in the past and the need to secure the support of commercial interests, Gepp suggested that the Commonwealth take the lead in establishing standing committees on trade with the 'Far East' that would be representative of producer, commercial and shipping interests trading with the region to enable 'co-operative study' to be undertaken with the aim of enhancing trade with the region.¹⁰

The government's response was cautious and delayed, probably because of its preoccupation with the continuing problems in public finance. By the latter part of 1933, however, there was renewed interest in the possibilities. The economic outlook was a little brighter, although Australian export trade was still in the doldrums. On 30 August 1933 the minister for commerce, Frederick Stewart, secured Cabinet approval for the establishment of trade representatives in the East. Lyons as prime minister noted that specific approval had been given for the appointment of trade commissioners to Batavia and Hong Kong. In the case of Japan, the minister was instructed to inquire whether an official could be linked with the British attaché. As an indication of the seriousness with which the task of making appointments was treated, a special Cabinet subcommittee was set up for the purpose. Further, legislation was to be introduced to authorise appointments in place of the ad hoc arrangements of the past. Thus, the trade commissioner service would be placed on a secure footing and, at the same time, legislation would offer some protection against the criticism that would surely follow.¹¹

Some criticism did follow from the chambers of commerce and manufactures in New South Wales and from the primary producers union on the familiar ground that the expense would not be justified but, on this occasion, the commentary was muted. For example, in arguing that the appointment of trade commissioners was not justified, the Chamber of



Conference on Eastern Trade with the Minister for Commerce, F.H. Stewart, presiding. Sydney, 8–9 February 1933. [STATE LIBRARY OF NSW]

Manufactures conceded implicitly that, as the government seemed determined to press ahead, the main requirement was to select the right person with ‘undoubted commercial training and experience’.¹² By contrast, the initiative received solid support from the Graziers’ Association of New South Wales, which urged the appointment of an experienced wool man to China.¹³ Clearly, there was no concerted opposition. As will be discussed shortly, the cautious approach to making appointments continued: as Gepp had recommended, no further action was taken until the completion of a detailed investigation of the potential for trade between Australia and Asia.

Legislation

At the time that Cabinet approved in-principle appointments in Batavia and Hong Kong, it also supported the introduction of legislation to authorise the trade commissioner appointments. As noted, existing arrangements were unsatisfactory. Previous trade commissioners were appointed on the whim of the prime minister or Cabinet using instruments of uncertain legality. As had become clear, appointees lacked security of tenure and could easily be terminated without adequate justification.

As the minister for commerce made clear, however, the positive reason for the introduction of legislation was the need for increased export penetration, particularly in the East. Reflecting the general thinking of the time, Stewart noted that the ‘East is geographically the natural market for Australian goods’ but one in which competition was fierce.¹⁴ Further, in the hostile trading conditions of the 1930s, the judgment was made that it was no longer appropriate to rely on British officials to represent Australia’s interests. The minister noted that Australia was poorly represented abroad by comparison with its peers. Canada had thirty-four commissioners in twenty-seven countries; the United States, thirty-two officers; the United Kingdom, fifty officials at several levels of seniority; and France employed sixty ‘commercial attachés’. Many of these appointments predated the depression, but the employment of trade representatives had become part of the aggressive international trade tactics of the 1930s.

The minister explained that the government would consult widely in selecting the location of posts and in making appointments. Following a conference on Eastern trade in February 1933, which was supportive of the appointment of trade commissioners, a federal advisory committee on Eastern trade had already been formed. The committee was composed of commercial, manufacturing and shipping interests and was chaired by A.C.V. Melbourne, a distinguished historian at the University of Queensland and an expert on Australia’s relations with China and Japan. The government had decided to

establish a post at Batavia in Netherlands East Indies, but it was uncertain as to whether Shanghai or Hong Kong should be the location of the second Asian post. This would require further investigation. For reasons to be explained shortly, it had also decided to establish a post in New Zealand.

The Trade Commissioners Bill received strong cross-party support and was passed into law at the end of 1933.¹⁵ The thrust of comment from all political parties was that the measure was overdue. At one level the legislation was merely a machinery measure designed to give trade commissioners security of tenure. At another level it reflected an important shift in Australia's trade policy towards a more proactive and independent approach.

New Zealand

The reason for the establishment of a trade commissioner post at Wellington, New Zealand, was only partly to promote Australia–New Zealand trade. New Zealand was one of the few markets in the 1930s that offered improved prospects for Australian exports. The devaluation of the Australian pound against the sterling by 25 per cent in 1931, combined with a sharp reduction in the costs of production, provided Australian exporters with a competitive advantage in some items compared with exports from the United Kingdom. Steel exports were a case in point. After 1931 Australian steel was able to compete against the British product for the first time, and there were signs that Australian exports were beginning to displace the United Kingdom's traditional exports.

This was seen in Australia as a risk as well as an advantage. Any significant diversion of New Zealand imports from the United Kingdom to Australia might lead to retaliatory action against Australian exports to the United Kingdom. In April 1933 Sir Walter Massy Greene, former minister for trade and customs and now an assistant minister, was dispatched to reach agreement with New Zealand on the management of trade flows. New Zealand estimated that, in the year to March 1933, there had been a diversion of exports to Australia of approximately £150,000 to £200,000 compared with total New Zealand imports from Australia of £2.3 million. The agreement reached with New Zealand provided for notification by both governments of evidence of trade diversion. In the event that diversion exceeded £150,000, it was agreed that efforts would be made to limit the amount by means that were mutually acceptable. If agreement on the means could not be reached, New Zealand was able to take independent action, but not so as to impact on the total volume of trade.¹⁶

This was a loose arrangement that had little practical impact. There was occasional correspondence between the two prime ministers in 1934 and 1935, but the provisions of the agreement were not invoked. The fact that an

agreement was necessary in the first place was an indication of the sensitivity of both Australia and New Zealand to any loss of access to the United Kingdom market. In the event, Australian exports to New Zealand grew steadily in the 1930s to reach £6.4 million in 1938.

Robert H. Nesbitt was appointed trade commissioner in Wellington in 1934, with James Payne as assistant. Born in the Isle of Man in 1883 and educated in England, Nesbitt had extensive experience in the insurance industry and as a company secretary and accountant. Payne, from the Western District of Victoria, was recruited from the Commonwealth works branch and was an accountant by training. Nesbitt's primary task was to cultivate Australia–New Zealand trade, to manage the trade diversion issue and to handle a number of sensitive issues of trade diplomacy. For example, for many years New Zealand had imported fresh citrus and pineapples from Australia but, in 1932, it imposed an embargo. This was in part retaliation against the Australian prohibition on the import of New Zealand potatoes that had been in force for several years. In 1933, Massy Greene initiated discussion of these matters and secured a partial lifting of the embargo. Nesbitt was responsible for continuing the negotiations, and for tackling issues such as the fact that New Zealand duties were higher than the British preferential rate.¹⁷ Unfortunately there are only limited records of Nesbitt's time in New Zealand, but a measure of his effectiveness is indicated by the substantial growth in Australia–New Zealand trade in the mid-1930s and the avoidance of major trade disputes. In 1937, Nesbitt left the service to become chairman of the Milk Board of New South Wales and was replaced by Charles Critchley, previously the assistant commissioner in Canada and, as will be noted shortly, trade commissioner in Batavia.

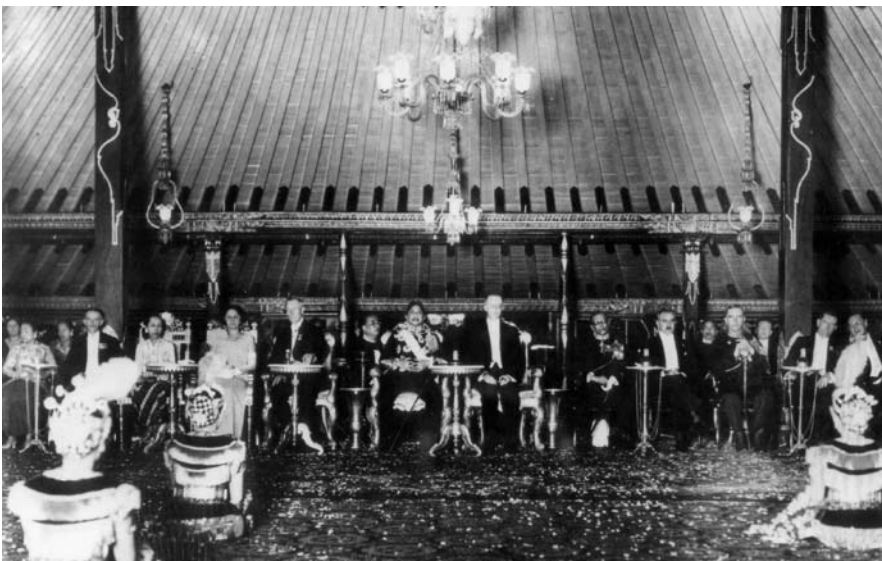
Latham's mission to the East

Although a firm decision had been taken in 1933 to appoint trade commissioners to the East, action was delayed pending receipt of further advice from a high-level 'goodwill' mission to be sent to Asia. The purpose of the mission was partly commercial and partly political, with particular attention to trade and defence issues associated with Japanese expansion in China and the Pacific. The mission was led by John Latham (later Sir John), attorney general and minister for external affairs, and included Eric E. Longfield Lloyd, of the Commonwealth investigation branch in the Attorney-General's Department, and Arthur C. Moore of the Department of Trade and Customs. In the months of April and May 1934, the mission visited Netherlands East Indies (Batavia), Malaya (Singapore and Johor Baharu), French Indo-China (Saigon), Hong Kong, China (Shanghai, Nanking, Tien-tsin, Peking and Canton), Japan (eleven cities) and the Philippines (Manila and Davao). This

was the first serious attempt to develop a coherent policy towards Asia and marked a significant broadening of Australia's foreign and trade policy.

The report of the mission drew attention to the poor reputation of Australian companies in the region, and to the fact that the goods shipped were not up to the samples that were sent. This had been a consistent comment by previous trade commissioners and it was a concern that there had been so little improvement in more than a decade. Latham was particularly critical of the 'supply-side' mentality of Australian exporters: the belief that customers should be satisfied with what was sent to them, accompanied by the inclination to be resentful of any criticism. It was also clear that Australia was virtually unknown and needed to do much work to develop markets for its commodities.

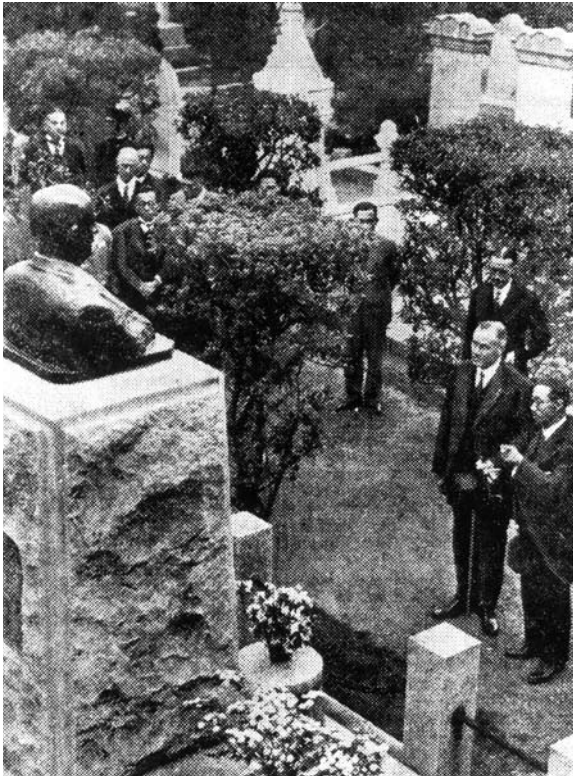
Latham was clear about the need for trade commissioners and what their role should be. They should place the Australian point of view before the government and people of the country in which they served, and supply information about Australia; correct mistaken perceptions about Australia and Australian policy, including the tariff; take steps to correct misunderstandings about Australia *in advance*; report to government on general economic questions; report on the activity of foreign competitors; and ascertain probable tariff changes likely to affect Australia. In short, trade commissioners should bridge the information gulf that separated Australia from its northern neighbours: they were to combine the roles of diplomat with the more specific task of trade development. In the circumstances of the 1930s, it was clear to the mission that trade commissioners were essential to negotiate the intensely political nature of so much of the world's diminished volume of trade.



J.G. Latham's mission to the East being entertained in Djokjakarta [Yogyakarta], 1934.
[DEPARTMENT OF FOREIGN AFFAIRS AND TRADE]

Systematic advice was prepared about the possible location of trade commissioner posts. As the government had presumed, Netherlands East Indies was a priority because of the proximity of the islands and the complementary nature of production. China was also important, although the United States had been able to capture the market in wheat and flour as a result of the granting of a loan on favourable terms. It was judged that Australia must obtain detailed knowledge of trading conditions in China through the appointment of an appropriate representative. Shanghai, the centre of Chinese manufacturing and of foreign trade, was preferred as the location of the post in preference to Hong Kong. Singapore was thought not to justify a post at that stage, but an approach would be made to the British trade commissioner.

*Latham visiting
the grave of
J.B. Suttor,
NSW Commercial
Commissioner
in Asia
(1903–1922),
in Kobe,
Japan, 1934.*
[DEPARTMENT OF
FOREIGN AFFAIRS
AND TRADE]



Japan was the focus of the mission's attention for both commercial and strategic reasons. In the early 1930s Japan had displaced France as Australia's second most important trading partner. Despite the depression, Japanese demand for Australian wool and wheat was growing steadily, and the expectation was that the relative importance of Japan would continue to grow. But there was friction between the two countries. The strong bilateral trade balance in Australia's favour, much of which was attributed

to the high Australian tariff level, aggrieved Japan. She was also annoyed by the British preferential system that discriminated against Japanese exports. Latham warned that the Japanese government was being pressed to take some action hostile to Australia such as obtaining wool from non-Australian sources as far as possible. With the advantage of hindsight, this was an early warning of the trade war that was to erupt between the two countries in 1936.¹⁸

On the question of appointing a trade commissioner to Japan, Latham was in no doubt that such an appointment should be made. He strongly advised, however, that a person with a business background should not be selected. He explained that the civil service was of the highest standing in Japan, and that a gentleman of good standing from a non-business background would be the most appropriate appointee. He noted further that there was much misinformation about Australia in the Japanese press, and that one of the primary functions of the new appointee would be to counteract the spread of this misinformation.¹⁹ Thus, the position was seen as much in terms of diplomacy as of trade.

Appointments

Because of his high standing in government and the thoroughness of his mission, there was no doubt that Latham's recommendations would be accepted. There was, however, to be further delay in taking action. Part of the reason was that the government was preoccupied in the lead-up to the federal election that was to be held in September 1934. The United Australia Party, led by Lyons, lost its absolute majority at the election and there was further delay while negotiations were concluded with the Country Party, led by Earle Page. The new ministry, with Page as minister for commerce, was not formed until November 1934. It took a few weeks for the new minister to become familiar with his portfolio but, by the beginning of 1935, he was ready to act—and he did so decisively.

In February 1935 Page secured the reaffirmation of the previous decision to appoint trade commissioners to China and the Netherlands East Indies, and obtained approval for appointments to Japan and Egypt. The establishment of a post in Egypt (and also India) had been proposed by the federal advisory committee on Eastern trade, but this was not seen as such a high priority and it was several years before such an appointment was made.

While the advice of the federal advisory committee was sought, the process of making appointments was still substantially in-house. It was Latham in October 1934 who recommended that V. Gordon Bowden be appointed trade commissioner in China. Latham also had a significant role in the appointment of Eric E. Longfield Lloyd as trade commissioner to Japan. It will be recalled that Longfield Lloyd had been a member of Latham's Eastern mission and, as a security officer and member of the Attorney-General's Department, possessed the bearing and standing to be congruent with Japanese sensibilities. Charles E. Critchley—who, as noted above, was assistant trade commissioner in Canada for six years—was selected to fill the position in the Netherlands East Indies. In terms of the backgrounds of those appointed, the earlier insistence on

business experience had given way to a reasonable balance between experience in business and the public service.

China

Gordon Bowden was exceptionally well qualified for the position of trade commissioner when appointed to Shanghai in 1935. Born in Sydney and educated at Sydney Grammar School and in England and Germany, Bowden had his first experience of Asia in 1905 as a result of the business activities of his father, whose merchant house traded in raw silk in China and Japan as well as in a number of other commodities such as tinned salmon and timber. He served in the British Army in 1915, saw action in France, was mentioned in dispatches and was demobilised in 1919 with the rank of major. After a brief engagement in the oil business in the Black Sea area, in 1920 he became managing director of A. Cameron & Co. (China) Ltd of Shanghai, a general merchant house.

Bowden was an excellent linguist, speaking French, German and Japanese fluently, and some Mandarin. He was well connected with the business community in Shanghai, was accepted by the Chinese, and understood their commercial practices. It is interesting that he actively sought the position of trade commissioner, perhaps indicating that he was seeking a change of direction in the latter part of his career. His main weakness as a candidate was that he had been absent from Australia for a long time and was not familiar with local conditions. To cover this weakness, Arthur L. Nutt of the Department of Commerce was appointed assistant trade commissioner in May 1935. Also, Bowden spent several months in Australia following his interview and acceptance of the position; he returned to Shanghai in September and set up office on the Bund.²⁰

From 1936 onwards Bowden was faced with a difficult trading environment. The lack of control of the countryside by the Nanking government and incursion by the Japanese made trade unpredictable, even before the declaration of war by Japan in 1937. Occasionally China was a heavy importer of Australian wheat, as she was in 1932 and 1933, but, at times of good harvests, demand fell away sharply. This was the case in 1936 and 1937, when exports to China were of minor proportions because of two years of excellent Chinese grain production. Bowden worked hard to broaden Australia's export portfolio and won the respect of his colleagues and departmental head.

In a detailed report prepared in 1938, he lamented the recent decline in wheat exports and the moderate quality of Australian soft wheat. He was optimistic, however, about wool exports (which had increased substantially from a low base), about sole leather for south China and, to a lesser extent,

about butter (consumed only by the foreign population). He was not optimistic about developing markets for fresh or dried fruits because the United States was the dominant supplier, and he noted that there had been a significant drop in the import from Australia of milk products (e.g. Lactogen). Prospects for dairy cattle exports were good; however, Australia's reputation had been impaired by the incidence of bovine pleuropneumonia and contagious abortion.²¹ Bowden concluded that the future lay with wool.

As was the case in the 1920s, the trade commissioners in the 1930s faced an uphill battle because the demand for Australian produce in almost all countries in the East was so limited. Australia's production of food and raw materials was so heavily attuned to the bulk commodity markets of Europe that Australian producers took little account of Asia. In any case, the great majority of the Asian population had no interest in, or financial capacity to purchase, imported goods. Demand was usually restricted to the small number of expatriate Europeans.

The situation for Bowden became more difficult as the Sino-Japanese war intensified. The Japanese occupied many coastal ports in 1939, effectively blocking entry of foreign goods. In July 1939, the Chinese Nationalist government issued orders prohibiting the import of goods under 160 tariff categories. Australian food imports, however, were not expected to be seriously impacted. Indeed, as war in Europe gathered momentum—and disruption within China increased—there was a switch in demand to Australian wheat and flour, and a further increase in imports of Australian wool. Between 1939 and 1940, Australia became China's seventh largest trading partner. But this promising development was cut short by the conflagration of 1941.

Bowden's five-year term in Shanghai concluded in May 1940. He was reappointed for one year only because of the growing tension in the East and the expectation that overseas representatives would need to be recalled in the near future. Bowden was posted to Singapore at the end of this one-year extension, more as a general government representative than as a trade commissioner. Indeed, his designation in China had already been amended in May 1938 to Australian government trade commissioner, partly for status reasons and partly to reflect a broader role. We will take up his story in Singapore later in this chapter.

It would be difficult to argue that Bowden had established his office as an engine of China–Australia trade growth in the six years that he occupied the position; however, in the disrupted circumstances of China at the time, it would have been beyond the capacity of any mortal to have accomplished more. By diligence and intelligence, and extensive Chinese experience, Bowden—together with Critchley and Longfield Lloyd—established the

necessity of direct Australian representation in Asia. Given the difficulties of communication at the time, essential commercial and political information could not be obtained by any other means. With its different trading mix, indirect representation of Australia by British officials had become largely unnecessary. Because trading conditions were so competitive and trade so enmeshed with politics, the ability to interact on the spot with officials and merchants was necessary for survival.

Japan

The first person approached to represent Australia in Japan was A.C.V. Melbourne, chairman of the federal advisory committee on Eastern trade. Melbourne, a distinguished constitutional historian, had become, in later academic life, a student of Australia's emerging relationship with Asia, an advocate of strengthening ties with the region and a critic of Australia's continuing heavy reliance on the United Kingdom.²² But Melbourne declined the invitation, preferring to continue in academic life at the University of Queensland.

The mantle then fell to Lieutenant-Colonel Eric Longfield Lloyd, who had been an advisor on Latham's goodwill mission to the East and who had long experience in intelligence. As noted earlier, Latham's advice was that, in this case, a businessman should not be chosen, on the grounds that a person with a commercial background would not command respect in Japanese official circles. It was also clear from the outset that the post would be quasi-diplomatic. Although Japan had become Australia's second most important trading partner in 1930 (displacing France), and there were good prospects for further trade expansion based on exports of wool and wheat, the growing mistrust between the two countries suggested that diplomacy should stand side by side with trade promotion.

Longfield Lloyd was born in Sydney in 1890 and completed his education at St Andrew's College, Dublin. He worked briefly in a bank in London before returning to Australia shortly before World War I. He enlisted in 1914, was wounded at Gallipoli, invalided home, and awarded the Military Cross and the Volunteer Officers' Decoration. In 1916 he was attached to the intelligence section of army headquarters in Sydney, and was subsequently appointed to the external affairs branch of the Prime Minister's Department. Between 1925 and 1930 he served as honorary aide-de-camp to the governor of New South Wales, Sir Dudley de Chair. He also studied Japanese history and language at the University of Sydney, a reason for his inclusion in Latham's mission.

The office of Australian trade commissioner in Tokyo was opened in October 1935. James A. Tonkin of the Department of Commerce joined

Longfield Lloyd in Tokyo as assistant commissioner. Tonkin was an experienced officer on the subject of Australia–Asia trade and served to counterbalance Longfield Lloyd's lack of trade experience. Indeed, the assistant trade commissioner handled most of the day-to-day commercial issues, which allowed the trade commissioner to concentrate on diplomacy and the politics of the trade dispute between Australia and Japan that was shortly to erupt.²³

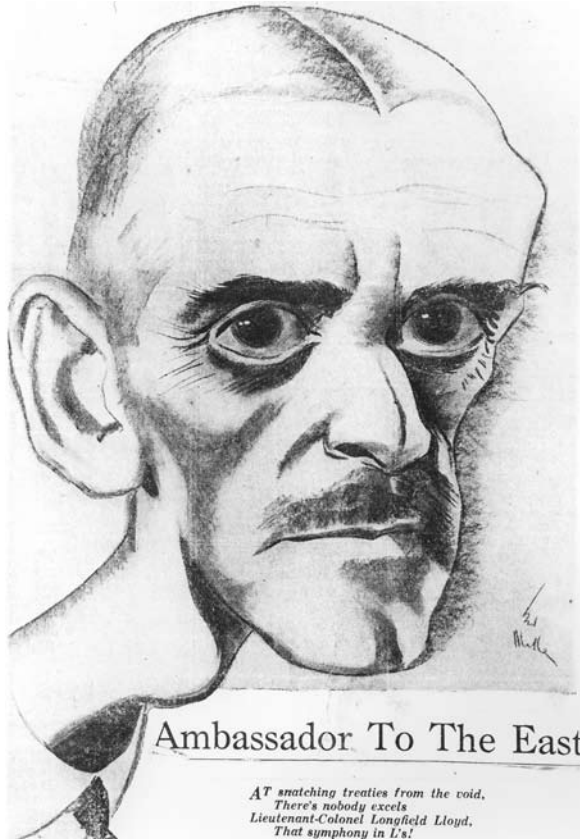
In the circumstances, Longfield Lloyd was a good choice to open quasi-diplomatic relations between the two countries in Tokyo. Meticulous and immaculately presented, with an unmistakable military bearing, he worked hard to establish good relations with the British ambassador and Japanese officials. He provided frequent detailed reports on Japanese conditions, often peppered with commentary on Japanese attitudes and psychology. Longfield Lloyd's most pressing problem on arrival was his uncertain status. In terms of status, the Japanese were unable to fathom the title 'Australian trade commissioner', for which there was no provision in the diplomatic hierarchy. The British ambassador supported the Australian office as far as possible, but there was no substitute for formal status. Australia was the only country to be represented in Japan by someone other than an ambassador or a consul-general. In November 1937, the word 'trade' was removed from Longfield Lloyd's title and he became the Australian government commissioner in Tokyo. It was a more accurate description of the role but it did not change the problem of his lack of formal status.

The trade commissioner arrived shortly before the outbreak of one of the most acrimonious and destructive trade disputes in Australia's history. The context was a rapid rise in Japanese textiles exports to Australia that threatened United Kingdom exports. Between 1932 and 1934, imports of Japanese cotton increased from 36 million to 74.5 million square yards; artificial silk (rayon) imports increased from 6.5 million to 35.75 million square yards. Despite a significant tariff advantage in favour of British imports, the Japanese were easily able to undercut the British. The prospect was that, on current trends, British imports would be all but eliminated. There is no doubt that the Japanese were engaged in aggressive trade expansion that touched many countries around the world. Most of all, it affected the textile manufacturers of Manchester. The British authorities made clear their displeasure and there was the possibility of retaliation against Australian primary commodity exports to the United Kingdom. Certainly, the Australian government believed that this was a real threat.²⁴

In March 1936 the Australian government reached the conclusion that textile imports from Japan would need to be restricted, and Longfield Lloyd was instructed to explain the position to the foreign office in Tokyo. The

government was aware that any imposition of quantitative restrictions would lead to the suspension of trade negotiations between the two countries. These negotiations had been under way for several years but had encountered heavy weather because of Japan's ambit claim for inclusion within the British preferential tariff regime. The government accepted that suspension of the negotiations would exacerbate bilateral tension.

*Caricature of
E. Longfield
Lloyd, Australian
Commissioner to
Japan, 1937.
[SMITH'S WEEKLY/
DEPARTMENT OF
FOREIGN AFFAIRS
AND TRADE]*



The trade commissioner reported that the foreign office was worried and undecided. It was concerned about the impact of public opinion; any action by Australia would be interpreted as a means of protecting British industries, and Japan reserved the right to retaliate. However, a formal decision would be communicated later. Subsequently, Longfield Lloyd had discussions with the director of the commercial bureau and there were indications that Japanese producers were prepared to be conciliatory. For

example, the Yokohama Silk and Rayon Exporters' Union indicated that it was prepared to impose price control from mid-April 1936 and that quantitative restrictions might also be considered.²⁵

There were intermittent communications between Australian and Japanese officials in April 1936 but there was no response to the Australian request for the imposition of quota restrictions. The trade commissioner was of the opinion that the Japanese government was internally divided and was finding it difficult to reach a decision, with the foreign office more conciliatory and the commerce department taking a hard line. But there was increasing comment in the Japanese press about the lack of balance in the bilateral trading relationship: the trade ratio was three to one in Australia's favour.

This would make it extremely difficult for Japan to take any action that would increase further the ratio in favour of Australia.

With the matter still unresolved by the third week of May 1936, the Australian government acted unilaterally by announcing a trade diversion policy aimed primarily at Japan and the United States. As noted, trade diversion was not new and had been embedded in the Ottawa agreement of 1932 and the agreement with New Zealand in 1933. But, on this occasion, the policy was expressed more aggressively and was more sharply focused. As articulated on 22 May 1936 by Sir Henry Gullett, the minister directing negotiations for trade treaties, the intention was to impose a system of licensing and increased tariff levels to divert trade within the Empire so as to ‘confer most benefit on the national economy’.²⁶ This was a blatant contradiction: the widening of the tariff preference in favour of British textiles was primarily of benefit to United Kingdom manufacturers; any benefit to Australian primary producers was speculative. At the same time increased protection was granted to Australian motor vehicle manufacturers by increasing duties on imports of motor chassis from the United States.

Japan retaliated one month later and all of Australia’s primary commodity exports were targeted. Licence restrictions were imposed on wool, wool waste, wheat and flour; import duties were increased by 50 per cent on beef, butter, condensed milk, hides, skins, tallow and casein. Wool was the critical commodity because of the scale of Australian exports to Japan and the importance of imported wool to the Japanese textile industry. Longfield Lloyd reported that the Japanese were uncertain about the impact of their decision on their manufacturers, and that their general intention was to reduce imports from Australia by 30 per cent. At the same time, a concerted effort was made to increase imports from South Africa and to encourage wool production in Manchukuo. Australia retaliated in July 1936, further tightening the licensing system with the intention of creating a ‘level playing field’. This indicated that Australia was preparing the ground for a resumption of trade talks. The trade commissioner reported that the mood in Japan was inching towards the resumption of negotiations. In advising the government about the state of play in Japan, Longfield Lloyd was inclined to muse at some length about the Japanese character:

[There is a] firm belief that Japan is always right and most other peoples at once wrong or likely to become troublesome if any too genial consideration is shown them. Conversely, any generous proposal for the solution of a problem by another party is much liable to misconstruction in Japan as an admission of Japanese righteousness; in short if Japan concedes anything it is locally ascribed to magnanimity; if others do so, it is seized upon as a weakness due to the recognition of Japanese strength.²⁷

Obviously, this was a recommendation to continue the tough line.

Australian–Japanese negotiations were resumed at the end of August 1936, but the damage had been done. Japanese wool buyers effectively boycotted the spring wool sales of 1936. Australian exports to Japan would fall by almost three-quarters between 1936 and 1939. On the eve of World War II, Japan fell behind the United Kingdom, the United States, France, New Zealand and Belgium as Australia’s most important trading partners. By contrast, there was no discernible improvement in exports to the United Kingdom. The government was fortunate that trading conditions were relatively buoyant in 1936 and 1937 as world economic recovery gathered momentum, and that this masked the loss of the Japanese market. But the episode was a ghastly mistake born of excessive anxiety about access to United Kingdom markets. As an admission of failure, Sir Henry Gullett resigned his portfolio in March 1937 and was not replaced.

Longfield Lloyd handled a difficult situation as well as could be expected. He provided detailed advice and information to the government, and was praised by Gullett for his representation of Australian interests. Whether his advice was too inclined to reflect prevailing Australian attitudes at the time is a moot point. Certainly, he was unable to prevent the collapse of Australian–Japanese trade relationships or to do much to restore the position in the late 1930s but, in the circumstances, this is hardly a fair comment. What he did demonstrate—as did Bowden and Critchley—was the value of direct representation as part of the gradual emergence of an independent foreign policy. Longfield Lloyd completed his term as Australian government commissioner in 1940 and rejoined the Commonwealth investigation branch, becoming director in 1944. Sir John Latham, now chief justice of the High Court of Australia, agreed to serve for one year as Australian minister to Japan, thus confirming the evolution from trade commissioner to diplomatic representation at a high level.

While occupying their respective posts, Critchley in Batavia and Longfield Lloyd provided vital intelligence information on Japanese activities in the south-west Pacific. Commentary and copies of articles were sent to Canberra on Japanese penetration of the region. While these activities appeared to be primarily economic in motivation, they had possible military implications. They included increased Japanese pearl fishing activity in the ‘Darwin Patch’ and elsewhere around Bathurst Island using diesel-powered sloops and schooners. It was suspected that these vessels used bases on the Australian coastline, although this was not established. The Japanese interest in the Yampi Sound iron ore project was examined at length, with emphasis on the Japanese tactics in securing a foothold in promising resource developments. Attention was drawn in 1937 to the formation of a Japanese company (the Timor Archipelago

Development Co.) for the purchase of land in Portuguese Timor for growing cotton, copra and rubber, and to the interest of Japan in Dutch New Guinea. It was not suggested that the information constituted 'secret intelligence'. Much of the information was gleaned from newspapers and other publications and, in the relevant region, the activities were reasonably well known: the Japanese made no secret of their geo-economic ambitions. However, Longfield Lloyd in particular was assiduous in digging out material and making it available to Australian authorities.²⁸

Netherlands East Indies

For many years the prospect of trade with the Netherlands East Indies appeared enticing. Here was an archipelago of over 60 million people on Australia's doorstep. The balance of trade was heavily in favour of the Dutch colony at 4.4 to one in the mid-1930s, with substantial exports to Australia of petroleum, tea, kapok, rubber, coffee and rope fibre. Indeed, trade prospects were thought to be so encouraging that a privately organised trade ship was sent to Java in 1933 to display Australian produce. The ship, the *NieuwHolland*, was possibly the only choice but an unfortunate one because of the mixed messages that it sent.²⁹

When appointed to Batavia in 1935, Charles Critchley, after having served six years in Canada, was the most experienced member of the trade commissioner service. Clifton J. Carne, of the Department of Trade and Customs in Perth, was appointed assistant trade commissioner and joined



C.E. Critchley (C), Trade Commissioner, and C.J. Carne (L), Assistant Trade Commissioner, with staff of the Batavia Office, 1936.
[DEPARTMENT OF FOREIGN AFFAIRS AND TRADE]

Critchley in September 1935. In addition to the equatorial climate and the problem of obtaining suitable housing, trading conditions were difficult. The market for imported goods was restricted to a relatively small number of Dutch, German, English and Chinese people and a handful of the wealthier Javanese. Competition was intense from US, Canadian and Dutch exporters. Critchley moved beyond the expatriate commercial community and established links broadly in Java, and produced a series of detailed commodity reports for Australian exporters. He reported that Australia was favourably placed geographically but, as had so often been said in the past, there needed to be improvement in the quality of its marketing and packaging.³⁰ Principal exports were primarily flour and butter; lesser exports were ham, fresh fruit, leather and biscuits.

Unfortunately, Australia was not able to make much of an impact on the Javanese market before the outbreak of World War II. By value, exports increased marginally from £1.1 million in 1935/36 to £1.2 million in 1938/39, amounting to a stable one per cent or so of Australian exports. Once again the combination of geographical propinquity and large population had laid something of a false trail.

Following the appointment of Critchley to New Zealand in 1937, Herbert A. Peterson was appointed as his successor. Peterson was an experienced officer of the Department of External Affairs and an accomplished linguist who spoke fluent Dutch. In line with changes made elsewhere, Peterson's title was altered to Australian government commissioner. In this instance, the Dutch were able to confer consular status.

Peterson worked in the shadow of war. His territory included Singapore and, occasionally, Malaya. New trade opportunities were opening up, partly as a result of the diversion of European manufactures to the military build-up.

*Australian
Commissioner
H.A. Peterson
and wife (R
foreground)
as guests of
the British
Consul-General,
Christmas in
Batavia, 1940.*
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Broken Hill Pty Ltd found an outlet for iron and steel goods in Malaya. Live sheep exports to Singapore from Western Australia were also in demand. There were also developing markets for Australian brandy and wine, although South Africa was offering stiff competition. Oranges and other fresh fruit were making inroads, except that presentation and the lack of regular shipping continued to be matters of concern.

Peterson continued in his position as war clouds gathered. His appointment was renewed in March 1941 for an indefinite period. Shortly before the fall of Singapore, he was instrumental in securing supplies of quinine for Australia. As the Japanese advanced, his trade office was moved to Bandoeng [Bandung], the military headquarters. In those last days every effort was made to secure supplies of rubber, sisal and tea as well as quinine as urgent war supplies. A day or two before Batavia fell to the Japanese, Peterson escaped on one of the last vessels to leave Java before the collapse of the colonial government.

Egypt

The decision in 1936 to appoint a trade commissioner to Egypt was unusual in that it was not preceded by a mission to investigate trade possibilities. It was also unusual in the sense that Egypt was not among those countries that were the focus of attention in the mid-1930s. Australia exported modest amounts of flour and butter to Egypt but, in 1936, exports amounted to only £0.5 million. The decision seems to have been influenced by the lobbying of wheat and flour exporters; there had been frequent changes in import duties on Australian flour and it was thought that on-the-spot representation would improve the position. Also, by an agreement between the United Kingdom and Egypt, it was expected that there would be a large build-up of British military forces in the Suez Canal zone.³¹ The suggestion was that Australian export opportunities would be increased. At best, this was a straw in the wind.

After detailed inquiries in London and Cairo by Earle Page as Minister for Commerce, the person selected for the position was Colonel Cyril E. Hughes, an Australian with a distinguished record during World War I and a member of the War Graves Commission who had lived in Egypt for many years. He was appointed in December 1936 and, in addition to Egypt, was given responsibility for the Sudan, Palestine, Cyprus, Iraq, Syria, Iran, Greece and Turkey. Such a brief can only be described as quixotic. The high commissioner in London, Bruce, expressed indirect reservations about the appointment but did not press the issue. Reflecting some reservations, Cabinet initially made the appointment for eighteen months—later extended to three years.³² It should be said that Hughes' preference was for three years rather than the usual five. James Payne, previously assistant commissioner in New Zealand, was appointed assistant trade commissioner.

In the absence of detailed documents, it is difficult to evaluate Hughes' tenure. One has the impression that he operated in the style of the English gentleman with a partiality for the club. His main interest was in Middle Eastern politics rather than trade and, at the end of 1938, he sent a detailed commentary to External Affairs on the Germans, Jews, Arabs and many others.³³ He was obliged to intervene regularly in downtown Cairo when merchants diluted Australian butter with other products. At the end of his term, the minister for commerce, George McLeay, recommended the discontinuation of the post on the grounds that results had been disappointing: the decision, however, was that the post should remain open, with James Payne as acting government commissioner for the remainder of World War II.

India

The opening of a trade commissioner post in India had been under consideration by the government since 1935, and had been discussed on several occasions by the federal Eastern Trade Advisory Committee, but there were formidable difficulties that limited trade with the subcontinent. Foremost among them was the absence of a regular shipping connection. Shipping provided by the British India Steam Navigation Co. was only available intermittently, carrying jute to Australia and horses on return to India. Access to ports such as Calcutta through the Bay of Bengal was particularly difficult. The only regular connection was the mail service from Australia to the United Kingdom via Colombo and occasionally Bombay. There was also a shortage of cool storage facilities in India. Indian import duties were high: the British preferential tariff did not apply because of the United Kingdom–India trade agreement, and there was no trade agreement between India and Australia. Consequently, exports to India (excluding Ceylon) were of modest proportions. In the mid-1930s, exports were around £800,000 annually.

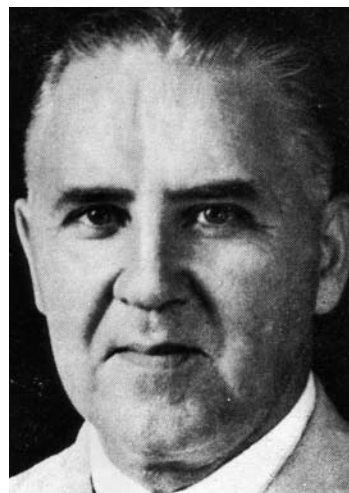
Late in 1935 the government was advised that the British India Steam Navigation Co. would be willing to initiate a direct shipping service to ports on the east coast of India every two months—but, if the service was to be sustained, it was essential that the volume of trade be increased. The federal Eastern Trade Advisory Committee had already proposed that a trade delegation of three be sent to India, Burma and Ceylon to investigate trade opportunities. In view of the prospect of an improved shipping service, the proposal was accepted. The delegation was to be led by R.F. Sanderson, vice-president of the Victorian Chamber of Commerce and leader of the trade ship to the Netherlands East Indies in 1933. The second member was John Thompson, general manager of Westralian Farmers Ltd, who filled the primary industry slot. S.F. Lynch of the Department of Commerce was the third member. The

delegation was expected to take three months; it returned to Australia in February 1936.

The delegation produced a comprehensive report that was rather subdued about the prospects for Australian trade. As was the case elsewhere in Asia, the delegation judged that the great majority of the population offered no market for Australian goods. On the positive side, it was thought that there was modest potential for exports of biscuits, jam, tinned fruit, vegetables and honey; there was a good market for Australian flour in Ceylon, and for wool and frozen and tinned butter in India; there were some opportunities for trade in agricultural machinery, railway sleepers and other hardwood timber. On the negative side, the lack of refrigeration and the existence of religious sanctions limited the market for meat, although there could be a small market for live sheep. Overall the delegation created the impression that only modest market gains could be expected. No recommendations were made, but there was an expectation that a trade commissioner would be appointed.³⁴

There was a long delay in taking any action, perhaps because the matter was not deemed to be pressing and because a suitable appointee could not be found. It was not until after the outbreak of war in Europe that an appointment was made; by this time the opportunities for private trade were diminishing. H. Roy Gollan was appointed Australian government trade commissioner in India in December 1939. Gollan, previously a journalist with the *Hamilton Spectator*, the *Geelong Advertiser* and the *Melbourne Argus*, had been the representative of the Australian National Travel Association in Bombay since 1937. With the effective closure of private travel for the duration, he must have been grateful to move to the relative security of public employment.

Gollan was a large, energetic and dominating man who was successful in representing Australian interests at a number of levels. He visited Australia early in 1940 on a familiarisation tour, but it was not until September 1940 that he was able to set up office in the chosen city—Calcutta. About the time the trade commissioner's office was fully operational, India was becoming the focus of attention as a major source of supply for the Allied war effort. Late in 1940, at the instigation of the United Kingdom, an Eastern group supply conference was held in New Delhi. This led to the formation of the Eastern Group Supply Council early in 1941.³⁵ Gollan moved to New Delhi as



*H. Roy Gollan,
1947.
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advisor on general supply, ranking second to the Australian member of the council, Sir Bertram Stevens, a former premier of New South Wales. Alfred Wootton, previously with Bowden in Singapore, moved to Calcutta to assume responsibility for the trade office. W.R Carney was appointed assistant trade commissioner in New Delhi.

For the remainder of the war, Gollan was fully absorbed with wartime administration. He divided his time between New Delhi and Simla—where the Eastern Group Supply Council had its headquarters—and Calcutta. He established the publication *Austral News*, a digest of Australian news and information that was widely distributed and keenly read by Australians throughout India. Australian exports to India increased substantially under wartime conditions, reaching £14 million in 1944/45. This was predominantly government-to-government purchase of war materials and supplies.

Gollan's achievement was that he and his colleagues established a firm Australian presence in India in the 1940s. He was probably disappointed that the distinguished military commander, Lieutenant-General Sir Iven Mackay, was appointed the first Australian high commissioner in New Delhi in 1944. Gollan was appointed commercial counsellor and trade commissioner; he reported to the Department of Commerce and Agriculture (previously the Department of Commerce) through the high commissioner's office, reflecting the new arrangements emerging in Canberra for the coordination of diplomatic and commercial representatives abroad. It must have been gratifying when he succeeded Mackay in 1946 as high commissioner.

United States

It is surprising that it took so long to re-establish senior representation in the United States after the departure of Herbert Brookes in 1930. Even though the value of exports was modest in the early 1930s, the quantum was much greater than for any Asian country other than Japan. By 1936 exports were growing strongly as economic recovery gathered momentum and, by 1937, the United States had become Australia's second most important trading partner (replacing Japan). Wool exports were the major source of growth. In 1936/37, for example, the value of exports to the United States amounted to £16.5 million.

The context of Australia's reconsideration of its United States representation was a gradual thawing of trade relations between the two countries. More specifically, the Ottawa agreement was due to expire in 1937. The United States had, from the outset, been hostile to the British preferential system and, indeed, to the British Empire itself; it was determined to use the expiry to initiate trade negotiations with the United Kingdom in an attempt

to undermine the imperial system. Australia sent a trade mission to the United Kingdom comprising the senior ministers Earle Page, Robert Menzies and Thomas White, supported by Bruce as high commissioner, essentially to protect the Australian position. As part of the preparations for separate United States–Australia trade negotiations, Australia dropped licensing restrictions on United States goods. In return the United States agreed to remove Australia from the ‘black list’ as from 1 February 1938. This meant that Australian exports would receive the same tariff treatment as the products of any other country (i.e. most-favoured-nation treatment). Informal or preliminary negotiations between the two countries were initiated shortly afterwards. To support these negotiations Lewis Macgregor was moved from Toronto to New York for the purpose of re-establishing high-level representation. Rupert R. Ellen assumed responsibility in Toronto. F. Keith Officer, a senior officer of the Department of External Affairs with lengthy experience in London, was appointed Australian counsellor within the British Embassy, Washington. Macgregor reported formally to Australia through Officer.

The American approach to trade negotiation was for preliminary talks to be held before moving to the formal part of the process. These preliminary discussions were vital for any progress to be made. Both countries were invited to place their requests on the table. Predictably Australia asked for a 50 per cent reduction in tariffs on wool and wool tops and substantial reductions in duties on lamb, mutton, rabbits and eucalyptus oil. On the American side there were requests for binding tariff rates or free entry of imports of motor chassis, radio valves and films.

The informal negotiations dragged on through 1938 and the first half of 1939 without much progress. The main impediment was the Australian request for a large reduction in the tariff on wool. New England wool producers were offering strong resistance. Other issues were the American requests for greater access for cotton, tobacco and motor vehicles. In June 1939 Macgregor reported that negotiations were on the point of breakdown. Shortly afterwards, they collapsed in the face of impending war.³⁶

The impact of war

With the gathering of war clouds in Europe in 1939 and the spread of the conflict to the Pacific at the end of 1941, most of the trade commissioner service was drawn into war-related activities far removed from the promotion of trade and the negotiation of trade treaties.

The transfer of Roy Gollan into a management role in India as part of the system of war procurement has already been noted. In one sense Gollan was still involved in the exchange of food and raw materials between countries. But

as these transfers of food and raw materials were arranged on a government-to-government basis under conditions of extreme scarcity, there was a sharp break with the past.

The role played by Lewis Macgregor in the United States was vital for Australia's emerging alliance with the United States in the conduct of the war in the Pacific. In 1940 Macgregor was appointed director-general of the Australian war supplies procurement mission in the United States. In essence, this involved management of the Washington end of the complex transfer of war materials and supplies provided under lend-lease by the United States. Lend-lease sprang from the acute United Kingdom dollar shortage in 1940 and effectively removed the dollar sign from United States provision of defence materials to the United Kingdom. For political purposes the materials were lent or leased to the recipient country; in practical terms they were transferred without cash payment with the intention that the accumulation of massive war debts—so destructive of economic welfare after World War I—would be avoided. From the outset lend-lease was for the Empire and all requests were channelled through the British purchasing commission in Washington; supplies destined for Australia began to flow in the first half of 1942.³⁷

Macgregor played a vital role in ensuring that the complex lend-lease administrative procedures were followed, and that Australia secured its fair share of assistance against intense competition from the United Kingdom, the Soviet Union and other Allied countries. He was assisted, of course, by the shock of Pearl Harbor and by General Douglas MacArthur's prestige in Washington. Lend-lease involved an immense amount of detailed administrative work and political acumen. There were always difficulties and tensions associated with lend-lease depending on the temper of Congress and the war situation; from the outset the Americans were determined to use their dominance of Allied war supplies to maximise their commercial opportunities after the war. In view of the strengthening alliance between the two countries, Australia was under-represented in Washington. This was only partly rectified with the appointment of R.G. Casey as the first Australian minister (effectively ambassador) to the United States (1940–1942), followed by Sir Owen Dixon (1942–1944) and Sir Frederick Eggleston (1944–1946). The situation would have been worse in the absence of Macgregor's political and administrative skills and his extensive contacts in the United States. After the war he was appointed Australian minister to Brazil (1945–1948).

The Japanese advance in China had reached such a stage by September 1941 that Gordon Bowden and his assistant commissioner, A.N. Wootton, and commercial secretary, J.P. Quinn, were transferred to Singapore. Australia continued to be represented in China through the appointment of

Sir Frederick Eggleston as Australian minister to China (1941–1944), located at Chungking in the south-west province of Szechuan, the wartime capital of Nationalist China.

Bowden continued to carry the title of trade commissioner but, in the circumstances of late 1941, this was a matter of form. His more significant position was as official representative of Australia; in this capacity he performed political tasks and reported to the Department of External Affairs. Bowden spent most of his limited time on the island informing Canberra of the deteriorating military situation. Together with senior officers of the Australian navy, army and air force, he represented his country on the War Council at Singapore.

After the Japanese attack on Pearl Harbor on 7 December 1941, Bowden warned repeatedly of the gravity of the military situation and the inadequacy of Singapore's defences. On Christmas Day 1941, for example, he cabled that disaster was around the corner:

[D]eterioration of our position in Malaya defence is assuming landslide proportions and in my firm belief is likely to cause a collapse in whole defence system ... Present measures for reinforcing Malayan defences can from a practical viewpoint be regarded as little more than gestures. In my belief [the] only thing that might save Singapore would be immediate dispatch from Middle East by air of powerful reinforcements, large numbers of latest fighter aircraft with ample operational personnel. Reinforcements of troops should not be in brigades but in divisions and to be of use they must arrive urgently.³⁸

Despite the worsening situation, Bowden and his colleagues remained at their post. On 9 February 1942, the day before the Japanese invasion of the island, he advised that there was an opportunity to escape on a cargo vessel. They were instructed to stick to their post by External Affairs because otherwise Canberra would be 'deprived of independent information and effect on morale would be bad'. They then prepared for internment and hoped to secure full diplomatic immunity. An opportunity presented on 15 February to escape on a small vessel. Travelling south towards Indonesia, they were intercepted by a Japanese patrol vessel and escorted to Muntok on the island of Bangka off the coast of Sumatra. The party was taken to a cinema hall where a number of British and Dutch civilian and service personnel were being detained. On several occasions Bowden attempted to explain his status. On the last of these he had an altercation with a Japanese guard, and was struck several times. He was led outside, away from the cinema hall and out of sight of the prisoners. Shots were heard. There were no eyewitnesses, but there is

no doubt that Bowden was killed. Wootton and Quinn were spared. It was a tragic end to a short and distinguished service representing Australia abroad in the most exacting circumstances.

In the Netherlands East Indies, Peterson continued to be fully employed with war-related work, arranging shipping for stranded women and children and purchasing large amounts of quinine and arranging for its urgent dispatch to Australia. Other war materials purchased were rubber, sisal, tea and a range of other products on behalf of the Australian Department of Supply. The centre of operations was moved to Bandoeng, the centre of the quinine industry, around 20 February 1942, and the office in Batavia closed shortly before the Japanese occupied the city on 5 March. As noted, Peterson escaped unharmed on the last Allied ship to leave Java. After the war he served as consul-general in the Philippines.

The remaining posts at Cairo, Wellington and Toronto were scaled back. Jim Payne remained in Cairo as assistant government commissioner throughout the war. Egypt became a major source of supply for a wide range of materiel for Allied forces, particularly the United Kingdom, and Payne became part of the procurement team. When Critchley left Wellington in 1943 to become assistant controller-general of food, J.L. Menzies—who had been assistant commissioner since 1937—succeeded as trade commissioner for a short period and was then succeeded in 1944 by W.R. Carney. Because of the growth of trans-Tasman trade, the New Zealand post was the least affected by the war. With Macgregor's appointment to New York in 1938, Rupert Ellen continued as assistant commissioner for most of the remainder of the war and was appointed to New York in December 1945; however, Macgregor continued a watching brief on Canada as best as he could. Australian representation in Canada was strengthened in 1940 with the appointment of Major-General Sir William Glasgow, minister for defence in the Bruce–Page government, as the first Australian high commissioner to Canada. As one would expect, by 1942 the trade commissioner service was a shadow of its former self.

In assessing the performance of the trade commissioner service in the 1930s, it is important to emphasise that most posts had been in operation for only a short time before the outbreak of war in Europe. It is not possible to make any judgment about the utility of the service after only four or five years of activity, particularly in the exceptionally difficult conditions of the 1930s. In terms of the value of trade, there is little evidence to suggest that the commissioners made a difference. In terms of the politics of trade—and politics was mostly what it was about at the time—they were indispensable. Although this was not intended, the appointment of commissioners was a stepping stone towards the emergence of an autonomous nation-state.

It is interesting to note that most trade commissioners were located in what would now be described as ‘emerging markets’ for Australian exports. China, Netherlands East Indies, Egypt and Canada barely registered on the radar screen as destinations for Australian exports. Japan and New Zealand were the only destinations where markets were reasonably well established. In the case of Japan this was of relatively recent origin. The appointment of commissioners as a way of opening new markets—always a high-risk venture—was a recurring theme in the history of the service after World War II.

The other side of the coin is that established markets were relatively neglected. The United Kingdom was the most notable instance of a major market that was not supported by a specialist trade appointment. It is true that the high commissioner maintained a watching brief, and there were more-junior staff that handled trade matters. But it was still the case that the United Kingdom deserved more specialist attention. The United Kingdom still absorbed around one-half of Australian exports in the 1930s, and Western Europe a further 12 per cent (down from one-quarter in the 1920s). If we add the United States, which received attention belatedly, two-thirds of Australian exports were destined for countries without trade representation.



*A. Hyland,
Director of Trade
and Publicity,
London, in
court regalia,
c. 1930.
[DEPARTMENT OF
FOREIGN AFFAIRS
AND TRADE]*

The neglect of the United Kingdom is particularly puzzling. London had been on the list of potential locations for a trade office since the early 1920s but no action was taken. The most likely explanation is that representation by the high commissioner was judged to be sufficient in tight financial circumstances.

In retrospect, this was a mistake. The high commissioner was fully occupied with high-level political and trade negotiations, and had little time available to support the development of markets for Australian commodities. Australia was seriously under-represented in Western Europe and was unable to think beyond the antagonistic trade relationship with the United States.

The earlier reference to the use of trade commissioners as a step towards building the nation-state deserves a few words of elaboration. We have noted that, for most of the period between the wars, Australia was dependent on the United Kingdom in its external relations. The high commissioner in London represented Australia to the imperial power, and hence to the rest of the world. With the appointment of continuing trade commissioners from 1935, the imperial edifice was breached. At first the breach was within the relatively narrow confines of trade and for a limited number of bilateral relationships. But, in the 1930s, trade and politics were inseparable. As we have seen, the trade commissioners moved rapidly from the specific confines of trade to act as Australian government representatives more generally. On these foundations the need for independent political representation had been established. From 1940, high commissioners in the sister dominions and ministers (or ambassadors) in non-British countries multiplied. Under H.V. Evatt, minister for external affairs from 1941 to 1949, the transformation was completed.

4



Restoring trade

*E.P. McClintock,
1959.
[DEPARTMENT OF
FOREIGN AFFAIRS
AND TRADE]*

At the end of World War II the outlook for Australian exports was most uncertain. For the optimistic side there was a chronic world shortage of food and raw materials. Prices of commodities were expected to rise sharply as post-war reconstruction in Europe and Asia gathered momentum. In the short term, at least, this was expected to advantage countries such as Australia. Potentially more important in the longer term was the powerful commitment to achieve greater economic security and stability in the post-war world by means of international collaboration. The decisions to establish the International Monetary Fund and the World Bank at Bretton Woods, New Hampshire, in 1944 and the General Agreement on Tariffs and Trade at Havana in 1947 constituted the institutional embodiment of the New World Order. Even more important than these decisions was a determination to maintain, within individual countries, a level of aggregate demand that would secure a growing level of world trade, thus avoiding any return to the mass unemployment of the 1930s. Australia played a small but constructive role in the formation of these institutions and, in doing so, insisted—with some measure of success—that full employment should be the primary goal of policy. In Australian thinking full employment and trade expansion were inextricably conjoined.¹

For the immediate future, however, trade prospects were not encouraging. Primary export industries were in a poor condition at the end of the war as a result of an acute shortage of labour, fertiliser and materials, the impact of drought in 1944/45 and rabbit infestation. Most commodity exports were the subject of long-term supply contracts to the United Kingdom. While this had the advantage of securing market access, exporters would be able to take only limited advantage of the expected post-war escalation in commodity prices. Further, the wartime system of controlling a wide range of exports—all those items regarded as essential for military purposes and civilian supply—was to continue into the post-war period. Together with the shortage of merchant shipping to far-off countries such as Australia, these controls acted as a strong disincentive to a large proportion of prospective exporters.

Re-establishing the Trade Commissioner Service

Consideration of the future of the trade commissioner service was initiated in 1944 as part of preparing for the peace. Primary responsibility for post-war planning was vested with the Department of Post-War Reconstruction but other departments contributed within their respective areas of responsibility. The Department of Commerce, restyled as the Department of Commerce and Agriculture in 1942, continued to be the department responsible for the trade commissioner service. By 1944 the service was effectively inoperative. Of the eight posts opened before 1942, three had been closed: Batavia, Shanghai and



Changeover of Trade Commissioners in Calcutta, 1949. Incoming commissioner, A.N. Wootton (3rd L) and outgoing commissioner, A.G. Hard (4th L) with Assistant Trade Commissioner, A.R. Taysom (2nd R).

[DEPARTMENT OF FOREIGN AFFAIRS AND TRADE]

Tokyo. The remaining five posts—Cairo, India (first at Calcutta, then New Delhi), New York, Toronto and Wellington—were concerned primarily with war work. In addition, the posts at London and Paris handled trade inquiries but the staffs were under the authority of the Australian high commissioner in London and were not part of the trade commissioner service. After the occupation of France, the post at Paris was transferred to London.²

It was taken for granted, as the war drew to a close, that the government would play an important part in the promotion of export trade after the cessation of hostilities. There is no evidence of any philosophical discussion of the desirability or otherwise of government intervention in the field. This is hardly surprising in the circumstances. Private enterprise, particularly the financial system, was widely assumed to have been largely responsible for the disastrous collapse of the 1930s. The Labor government led by John Curtin had developed and managed an effective war economy, and there was considerable confidence in the ability of the state to provide the underpinnings of economic stability and social security. It was widely accepted that the state would be required to help recapture lost export markets for primary commodities and, in the context of wartime growth in manufacturing, help create new markets for secondary industries.

In developing and implementing trade policy, however, there were complications as a result of divided responsibility for trade issues and, particularly during the war, the large number of government agencies interested in trade issues. The primary division of responsibility was between the Department of Trade and Customs, with responsibility for tariffs, trade treaties, import and export controls, and the Department of Commerce and Agriculture, with responsibility for export promotion. More simply, there was one agency for imports and another for exports. In addition, trade issues were of interest to Post-War Reconstruction, Supply and Shipping, Munitions, and Treasury. The trade commissioner service was of particular interest to the Department of External Affairs because of its responsibility for diplomatic representation. The divided responsibility for trade complicated decision making until it was ultimately resolved with the formation of the Department of Trade in 1956. Because of divided responsibility for overseas representation, tensions between External Affairs (and later Foreign Affairs) simmered intermittently (followed by an occasional explosion) for much of the period covered by this book.

In May 1944 Cabinet took the first formal step in shaping post-war export policy with the formation of an Export Advisory Committee representative of government and commercial interests. This committee replaced the Eastern Trade Advisory Committee, which had lapsed with the outbreak of war, and had

a structure similar to it, with subordinate committees formed in most of the states. These committees included representatives of chambers of commerce and of manufactures and provided useful advice on individual products that were thought to have export potential.

There were, however, complications. In the fifth year of war the Australian economy was seriously depleted of both productive capacity and consumer goods. Many of these goods were rationed—not as severely as in the United Kingdom but sufficiently to cause inconvenience to households. Further, an Export Committee was established under the authority of Senator Richard Keane, minister for trade and customs, for the purpose of considering the degree to which wartime export controls could be relaxed to enable export orders to be filled.³ But there was little change in the export control position until well after the end of the war. The judgment of Bill Scully, minister for commerce and agriculture, was that ‘Australia’s policy was more restrictive in respective [sic] of exports than of any other Allied country’.⁴ Despite the commitment in principle to an ‘active export policy’ as part of post-war reconstruction, the decision was in effect made to give priority to meeting domestic demand. In the circumstances this was understandable, but it did help to set the course for much of the post-war period in favour of internal rather than export-led growth.

In September 1944 the Department of Commerce and Agriculture secured a decision in principle to re-establish the trade commissioner service and to enhance trade publicity, but there was no point in moving until the end of war was in sight.⁵ It was 1946 before firm decisions were taken. Once taken the planning that had been carried out in 1944 and 1945 enabled rapid expansion to proceed. During the last year of the Curtin government and during the Chifley government (1945–1949), ten new posts were established and one was closed. The post in Washington DC, established in 1944, was designed to support commercial negotiations and was not intended for trade promotion. In addition three of the four posts that were closed because of the Japanese invasion were reopened in 1946 (Shanghai, Singapore and Tokyo). The reopening of Jakarta (previously Batavia) was delayed during the Indonesian revolution; Jakarta was reopened in 1950 shortly after Indonesia secured independence from the Dutch. Table 4.1 sets out the details of posts opened during the period 1944–1955.

A feature of the post-war strategy was its emphasis on the traditional markets within the British Empire and with the United States. There was little evidence of renewal of the pre-war radical attempt to break into new markets in the East or elsewhere. In one sense this was sensible. The absence of a trade commissioner in London was an anomaly, and was recognised as such in

Table 4.1 Trade commissioner posts opened and appointees, 1944–1955

City	Date established	Appointee	Appointment dates
Washington	1944	J.U. Garside	1944–1950
Bombay	1946	H.R. Gollan	1946
London	1946	C.E. Critchley	1946–1953
Paris	1946	H.S. Sullivan	1946–1950
Hong Kong	1946	R. Hazzard	1946–1949
Cape Town/ Johannesburg	1946	G.R.B. Patterson A.J. Day	1946–1952 1953–1955
San Francisco	1946	S.F. Lynch	1946–1951
Vancouver	1947	F.R. Gullick	1947–1951
Colombo	1947	C. Frost	1947–1948
Karachi	1950	H.W. Goodger	1950–1953
Rome	1951	A.L. Senger	1951–1954
Port of Spain	1951	F.R. Gullick	1951–1953
Bonn	1953	R.R. Ellen	1953–1958
Montreal	1953	L.C. Steele	1953–1958
Salisbury	1954	G.P.H. Knight	1954–1955
Rangoon	1955	K.W. Ward	1955–1956
Auckland	1955	R.G. Dawson	1955–1959

Note: The table does not include the post in Rio de Janeiro, Brazil, established in 1945 as a legation and headed by a minister, L.R. Macgregor, formerly senior trade commissioner in Toronto and New York. This post was established as a diplomatic adventure in Latin America and was closed in 1948.

the 1930s. At a time of financial stringency, however, it was judged that the high commissioner and his staff adequately represented Australian trade interests. In another sense the new strategy reflected the changes wrought by war. China, Japan and Indonesia were in a state either of military occupation or of political turmoil. Only India seemed to offer promise with its large accumulation of foreign exchange reserves during the war, although this was to change rapidly after India moved to close its economy after independence was secured in 1947. Europe was not a priority in the desperate economic circumstances after the war and as the Cold War took hold. This left the traditional market of the United Kingdom and the emerging markets of the United States and Canada. In addition, there was optimism that the British colonies of South Africa, Rhodesia and the West Indies would offer trading opportunities within the British preferential system. There was little economic intelligence to underpin

these initiatives. The hope was that these primary-producing countries would offer markets for Australian manufactures as well as traditional exports of raw materials. The search for export markets for Australian manufactures proved to be long and difficult: it originated in the desire to support the wartime growth of employment in manufacturing industries.

Framework of trade policy

Before proceeding with the discussion of the post-war trade commissioner service, it will be useful to outline the role of the service in the broader context of Australian trade policy.⁶

The foundation of post-war trade policy is to be found in the ‘White Paper on Full Employment in Australia’ (1945), which asserted that the ‘people of Australia will demand and are entitled to expect full employment’.⁷ The maintenance of full employment involved higher levels of aggregate expenditure and, as a consequence, higher levels of importation. If this higher level of expenditure were to be sustained, it would be necessary to secure greater access to overseas markets, and also greater stability in export prices and volumes. The government accepted that it would need to take measures ‘designed to expand and stabilise post-war markets for Australia’s exportable products’, for there was little confidence in the system of liberal internationalism that was associated, rightly or wrongly, with the collapse of trade in the 1930s. In short, the white paper represented a commitment to economic growth and expressed a determination that growth would not be stalled by the failure of exports to provide an adequate flow of overseas earnings.

Indeed, full employment became the leitmotiv of Australian economic policy at home and abroad. In the councils convened to reshape the institutional framework of the post-war order, Australian ministers and officials argued vigorously—and with some effect—that a commitment to full employment, and hence a determination to maintain a high level of aggregate demand, was the means by which prosperity would be achieved. The argument was pressed consistently at Bretton Woods in 1944, at San Francisco in 1945, Geneva in 1947 and Havana in 1948, and at other meetings in London and New York. These seminal meetings were responsible for the creation of the International Monetary Fund and the International Bank for Reconstruction and Development (World Bank), the United Nations Organization, the International Trade Organization and the General Agreement on Tariffs and Trade (GATT). There were some misgivings within the governing Labor Party about the fulsome involvement in several of these new organisations, but the commitment to liberal internationalism prevailed.

Within this broad and even idealistic framework, trade policy centred on maintaining a healthy position in the balance of payments. The payments crisis of the early 1930s, with its consequent mass unemployment, left deep psychic scars. For at least thirty years after World War II, the Great Depression cast a long shadow over official economic thinking. Whenever a payments crisis emerged—a regular occurrence every five or six years in the early post-war years—the spectre of high unemployment provoked an aggressive policy response. And, as we shall see, on each occasion expansion of the trade commissioner service was deployed as a key instrument of the response.

Adherence to the charter of GATT, and to the use of most-favoured-nation principles, failed to diminish Australian reliance on tariff protection. Indeed, the high levels of protection that were inherited from the period between the wars continued to be a cardinal feature of policy until the 1970s. Supporting tariff protection were import restrictions that persisted for most of the fifteen years after the war. Export promotion was the more active side of trade policy, made more pressing by the chronic deficiency in overseas earnings. The components of export promotion were the negotiation of multilateral and bilateral trade treaties, notably the renegotiation of the treaty with the United Kingdom in 1956 (revision of the Ottawa agreement of 1932) and completion of a trade agreement with Japan in 1957.

At another level were commodity agreements. These agreements had a number of purposes and it is beyond the scope of this book to provide full details, but the broad intention was to secure price stability and market access. As noted, most Australian exports of commodities during World War



K.C.O. Shann, Acting Permanent Representative to the UN, signs the Fifth GATT Protocol of Rectification on behalf of Australia, New York, 1951. [UN PHOTO ARCHIVES]

II were covered by bulk purchase agreements with the United Kingdom. These agreements continued well into the post-war period but, by around 1953, the chronic shortages of the previous decade had been alleviated and overproduction in a number of commodities—particularly agricultural products—threatened. Indeed, agricultural protectionism in Europe and the United States loomed. Signalling the change in marketing conditions, the United Kingdom reverted to private trading in the mid-1950s.

It would be too simple to suggest that the commodity agreements replaced the bulk purchase arrangements. For one thing most agreements were multilateral or international in scope. But there was a carryover from the war of confidence in regulatory systems and orderly marketing arrangements. Without such intervention, it was widely believed that the chronic instability of the interwar years would recur. Agreements covered butter and cheese, canned fruits, dried fruits, eggs, meat, sugar, tin and wheat. The Commonwealth sugar agreement of 1953, for example, offered Australian exports preferential markets in the United Kingdom for up to 600,000 tons annually, of which 300,000 tons annually were to be purchased at negotiated prices. In addition, when the international sugar agreement of 1937 was renegotiated in 1953 and 1958, the central feature was the allocation of quotas among exporting countries in an attempt to maintain prices within a specified range. Another example is the fifteen-year meat agreement with the United Kingdom of 1952 that offered Australian producers secure markets for beef, veal, mutton and lamb at prices linked to the cost of production. For its part Australia agreed to take special measures to increase production.⁸

Whether these agreements were to the advantage of producers is a controversial matter, but it is clear that both the bulk agreements and the commodity agreements involved detailed negotiation by policy officials and management on a day-to-day basis. Particularly in London and subsequently in Geneva, trade commissioners played a prominent role in the management of agreements, tasks that lasted well into the 1960s.

Trade and commodity agreements provided the legal framework of trade policy. Trade promotion—read ‘export promotion’—was the more active side of policy. Trade promotion was represented by a constellation of activities managed by the Department of Commerce and Agriculture and subsequently by the Department of Trade. The trade commissioner service was at the centre of the constellation, providing as it did in-country support to current and potential exporters, ministers of state, officials and other significant persons. Trade publicity, a separate section within Commerce and Agriculture, played an essential role in publicising Australian exports in overseas countries and in striving to lift export consciousness at home. Beginning in 1947, the trade publicity section produced *Overseas Trading*, a monthly magazine containing news and views about export opportunities and up-to-date information about impediments to trade such as tariffs, import and currency restrictions. Regular and special reports from trade commissioners occupied a large proportion of the publication. At a time when communication was difficult and knowledge of overseas markets was fragmentary, *Overseas Trading* played a valuable

role in the difficult task of broadening the country's narrow export base and dependence on a handful of overseas markets.⁹

Techniques that were also used included participation in international trade exhibitions and fairs and even, as before the war, use of the occasional trade ship to carry a travelling exhibition. The exhibitions were organised by the trade publicity section and were widely judged to be of the highest standard in terms of design and use of materials. The trade commissioners, who were responsible for a large amount of detailed organisation, provided on-the-spot support. That these exhibitions made a significant impact on overseas markets was due as much to their quality as to the fact that knowledge overseas of the range of Australian products was limited. Because of their quality, exporters were keen to be involved, and usually covered their own costs of participation.

Trade missions were also used extensively, as they had been to explore new opportunities in the 1930s. Trade missions were essentially geographic in focus. Key elements were that such missions should have the strong support of private traders and official sponsorship. The intention was to select industry representatives of high standing so that subsequent advice to exporters would have the best chance of success. In 1953, with the resumption in most international markets of private trading, the Export Advisory Committee argued that the dispatch of missions was an 'effective method of overseas trade promotion' and proposed that they be resumed on a regular basis. The committee noted that several unofficial missions and one official mission had been sent to Africa, India and South America in the early years after the war, but little had been accomplished because of the trading and political conditions of the time. In 1953, it was thought that there were prospects in South Africa, Southern Rhodesia, East Africa and perhaps the Middle East.¹⁰ Indeed, missions did become a regular feature of trade promotion, and were used as much to educate the business community in international opportunities as to create new trading beachheads.

The role of the trade commissioner was one of providing commercial intelligence. Information about the trade and commerce of a country was a scarce and valuable resource, particularly at a time of intermittent and incomplete communication. Few, if any, Australian organisations, public or private, had the resources to undertake on-the-spot market intelligence. The trade commissioner service was designed to fill the gaps. In the language of modern economics, overseas trade posts would tackle the problem of information asymmetry. Dr Alan Westerman (later Sir Alan), director of trade promotion in the 1950s and subsequently secretary, Department of Trade, was

insistent that supporting the flow of information—rather than direct selling—was the key role of the commissioner.

Of course, the task was much more complex and challenging than these words suggest. Keith Le Rossignol, director of the trade commissioner service from 1961 to 1965 and a person with wide practical experience, has provided a neat summary of the role of commissioners located in less developed countries:

The effectiveness of an official overseas commercial service is dependent to a considerable degree on commercial intelligence. You may not be in the selling business, but you are certainly in the business of providing the intelligence that leads to sales. This means a continuous search for trade opportunities, trading partners and market information; the interpretation of what you find so that it has real relevance to your country's export problems and possibilities and maximum utility for your traders and officials; and the communication of that intelligence in such a way that it will induce them to take timely and effective action.¹¹

Gathering and reporting relevant information involved undertaking market surveys, responding to commercial inquiries from Australia, cultivating official and business contacts through membership of clubs and associations, and provision of official entertainment. It was essential that the office be well managed, and detailed documentation be maintained. But a successful commissioner would spend only a modest proportion of his or her time in the office. The officer spent much time in meetings with importers, government officials and business people more generally. It was often the case in centrally planned economies and other countries with authoritarian regimes that the trade commissioner, as a public official, was the only accepted representative of a foreign country.

Effective public speaking was a requirement. The commissioner would often be invited to present information on Australia's trading portfolio. Complex presentations were generally not required, but crisp and convincing articulation of Australia's commercial characteristics and trade possibilities could make a difference, particularly as the country's products were not well known internationally.

Travel was essential. For much of the post-war period, trade commissioners were responsible for huge territories. The commissioner located in Cairo in the early 1950s, for example, was responsible not only for Egypt but for the whole of the Middle East and Greece. When Roy Barcham was appointed to Nairobi in 1967 he was responsible for Kenya, Uganda, Tanzania, Ethiopia, Somalia, Malawi and Zambia. The post in Vienna, established in 1964, was

responsible initially for the whole of central and eastern Europe. Despite the establishment in 1946 of an office in San Francisco that assumed responsibility for the western sector of the United States, the tasks were still extremely taxing. Commissioners with large territories were on the road for much of their time, and some found it difficult to maintain an appropriate balance between the office and travel. Such large territories were clearly unrealistic, but the drive of policy at the time was to scour the world for export opportunities.

In short, the trade commissioner needed to be a generalist. He or she—and the trade commissioner service was all male until the first female assistant trade commissioner was appointed in 1967—required a broad range of skills and attributes. Ideally, the commissioner should be a practical person with a knowledge of and interest in commerce and a commitment to the economic welfare of the country. The desirable skill set included knowledge of diplomacy, finance, law, shipping, office management, one or more languages other than English and a sensitivity to different cultures and ways of doing business. University education became a requirement in the 1960s, but not at the high level demanded of professional diplomats. Above all, a high level of energy, resourcefulness, imagination and interpersonal skill were the attributes most likely to contribute to success as a trade commissioner. Of course, few individuals combined all these skills and attributes but, as we shall see, a surprising number of recruits were able to display a fair measure of them. Language skills were relatively deficient, particularly in the early post-war period, as was pre-knowledge of foreign cultures. But nearly all of the entrants to the service wanted to contribute to the growth and wellbeing of their country. Unalloyed nationalism was a strong motivation; overseas service was also exciting and challenging. Many preferred work as a trade commissioner to the diplomatic service simply because there were likely to be more tangible results at the end of the day.

Post-war Trade Commissioners

The distinguishing feature of the men appointed as trade commissioners after World War II was that most had seen war service—most in the recent war but some in World War I. They were older than the recruits of the 1950s and 1960s, and were mostly in their thirties and forties, some even in their fifties; consequently they had much greater experience of the world, including experience of overseas countries. Few were university-educated and only a small number had the advantage of business experience. They were men of bearing and substance, but quite without training in the role of trade commissioner. Because of their stage in life, their expectation was that they would complete their careers in the trade commissioner service.

A small number survived from the pre-war period. The most experienced was Charles Critchley, who was appointed the first Australian government trade commissioner in London in 1946. Critchley was a veteran of the First Australian Imperial Force (AIF) and had served a long apprenticeship with Lewis Macgregor in Canada in the 1930s; he was subsequently appointed trade commissioner, first in the Netherlands East Indies and then in New Zealand. He was too old to enlist in the Second AIF and spent most of the war in the administration of food control, but was also called upon to advise on the re-establishment of the trade commissioner service during the latter part of the war. Although fifty-five years of age by the time of his appointment to London, his experience and cultured manner were ideal for the position. He served subsequently as commercial counsellor in Washington and then, in retirement, held the position of chairman of the Apple and Pear Board.

*J. Payne,
Assistant Trade
Commissioner
in New
Zealand, 1934.*
[DEPARTMENT OF
FOREIGN AFFAIRS
AND TRADE]



Two pre-war assistant trade commissioners—James Payne and Alfred Wootton—were appointed to senior positions after the war. Payne, a large man of unorthodox appearance, held the fort in Cairo during the war as assistant commissioner and then reopened the post in Singapore in 1946, transferred to San Francisco in 1951 for a brief posting, and completed his career with the service in Vancouver in 1954. Alfred Wootton's career with the trade commission was often traumatic. He was assistant to Gordon Bowden in Shanghai in the late 1930s, transferred to Singapore with Bowden in 1941 after a brief period in India, and was captured by the Japanese at the time of Bowden's assassination. He was a prisoner of war until the end of the war; and in 1946 re-established the trade post in Shanghai but was transferred to Calcutta when the Communist Party seized office in China in 1949. Wootton died tragically in 1954 while serving in Paris.

The remaining survivor of the earlier era was Roy Gollan, trade commissioner in India since 1939. As noted in the previous chapter, however, Gollan was appointed Australian high commissioner in New Delhi in 1948; he continued to play a role in trade promotion in the difficult circumstances of India during the transition to independence.

The background and qualities of those who became trade commissioners in the first post-war intake can be illustrated with a few examples. Hugh Wrigley, who served in Hong Kong, Bombay and Vancouver, had been in the

armed forces for most of his career and was already fifty-seven at the time of his first posting. Wrigley had been a military staff clerk before joining the First AIF in 1914. He served in Gallipoli, the Sinai and France and rose to the rank of captain; he was wounded in 1916 and subsequently transferred to the Indian army, where he served in Afghanistan, Iraq and the North-West Frontier Province of present-day Pakistan. He re-enlisted in 1939 in the Second AIF and was soon promoted to the rank of major and subsequently to brigadier. From February 1942 until January 1943, Wrigley commanded the reinforcement depot in the Middle East, where he was responsible for all training and administration for the 6th and 7th Australian divisions. He led an infantry division at El Alamein and served in Greece, Syria and Palestine before returning to Australia in 1943 for service as a senior training officer in the south-west Pacific. Writing about his service in the Middle East, Generals Morshead and Alexander judged that Wrigley was:

entirely responsible for the outstanding standard of training and equipment at the Depot, displaying throughout [the] greatest imagination, foresight and initiative in producing modern apparatus and methods of training, while his knowledge of modern warfare conditions has ensured maximum realism in training.¹²

Wrigley was awarded the Military Cross and made a Commander of the Order of the British Empire.

David Shubart was born in India and served initially at the North-West Frontier as a member of the Indian army, and was a member of the Expeditionary Force to Mesopotamia from 1920 to 1921. Subsequently he migrated to Australia, working for H.V. McKay Massey Harris and for General Motors–Holden. He enlisted in 1940 and served as assistant director of mechanisation at army headquarters, Melbourne, for the remainder of the war; he completed his army service with the rank of lieutenant-colonel. Appointed trade commissioner to Bombay in 1947, Shubart was posted subsequently to Cairo and Johannesburg.

A third example will be sufficient for present purposes, one with less happy consequences. Major-General John Murray was appointed trade commissioner, Wellington, in 1946 at the age of fifty-four after a distinguished military career in both world wars. During World War I he served with the 33rd Infantry Regiment and rose to the rank of major. In the 1920s he continued military service in the field of transport services and ultimately became chairman of the state transport authority in New South Wales. In World War II he served with the 9th Infantry Brigade at Tobruk and commanded the 10th and the 4th infantry divisions, receiving a bar to his Distinguished Service Order. But

Murray did not settle to the less dramatic role of trade commissioner. Although well liked and personable, he fell foul of the strict official code of the day. In Wellington he relied too heavily on the assistant trade commissioner, drank frequently and too heavily on occasion, and was loose with expense claims. He incurred the displeasure of the somewhat puritanical Roden Cutler (later Sir Roden), who had been appointed high commissioner for New Zealand at the remarkably early age of thirty. After a departmental investigation it became clear that the two men could not work together, and Murray was re-posted to Colombo, during which time he fell into personal debt. He died in office in 1951.¹³

There is no suggestion that lengthy military service was an ideal preparation for the role of trade commissioner. Indeed, in normal circumstances such a background could be a disadvantage, with its lack of commercial experience and rigid procedures. In the circumstances of the decade after the war, however, there were distinct advantages. These men were of high standing and experienced in the ways of the world; they were accustomed to dealing with complex tasks in novel situations; most had lived abroad for lengthy periods and in uncomfortable circumstances; they were also familiar, at least in general terms, with protocols of intergovernmental relations. Improvisation was part of their stock-in-trade. As has been noted, government-to-government work was at the core of the trade commissioner's work at this time. Further, these men rejoiced in the opportunity to continue their service 'to the Crown', as one member expressed his feelings reverentially. What these recruits lacked in youth and commercial experience, they compensated for in enthusiasm and standing in the world.

Trade commissioners were reasonably well supported after office arrangements had time to settle. An assistant trade commissioner was appointed to each post; at a later stage two or more assistants were appointed to the more important locations. The responsibility of assistants varied, but commonly they were allocated more of the direct marketing and representational tasks. Sensibly, 'marketing officers' were also employed from the local communities. Marketing officers played a vital role because of their local knowledge, contacts, cultural sensitivity and, if required, linguistic capability. Whereas the trade commissioners were expected to rotate between posts on a regular basis—three years was the standard duration of a posting—marketing officers were often employees of the service for many years. They accumulated detailed knowledge of Australian products and their acceptance within local markets; often they provided continuity not otherwise available. Office staff of three or four locals completed the typical trade commissioner's office of six or seven persons.



*Celebration of the 5th anniversary of the Australian Trade Commissioner Service, Canberra, 1983.
[SIR ERIC MCCLINTOCK]*

In 1946 ten assistant commissionerships were offered and eight were accepted. Again, most of the recruits were ex-servicemen. As one would expect they were on average younger than the commissioners but, in one case at least, the assistant held a higher military rank than his superior. Even so the assistants were worldly, much more so than their successors of a generation later.



*1–2. George Patterson and daughter
3. Ray Gullick
4. Cynthia Gullick
5. Alan Westerman
6. Margaret Westerman
7. Frank Crean
8. Mary Crean
9. Doug McKay
10. Ruth McKay
11. Sir Eric McClintock
12. Lady Eve McClintock
13. Jim Scully
14. Norma Scully
15. Sir John Crawford*

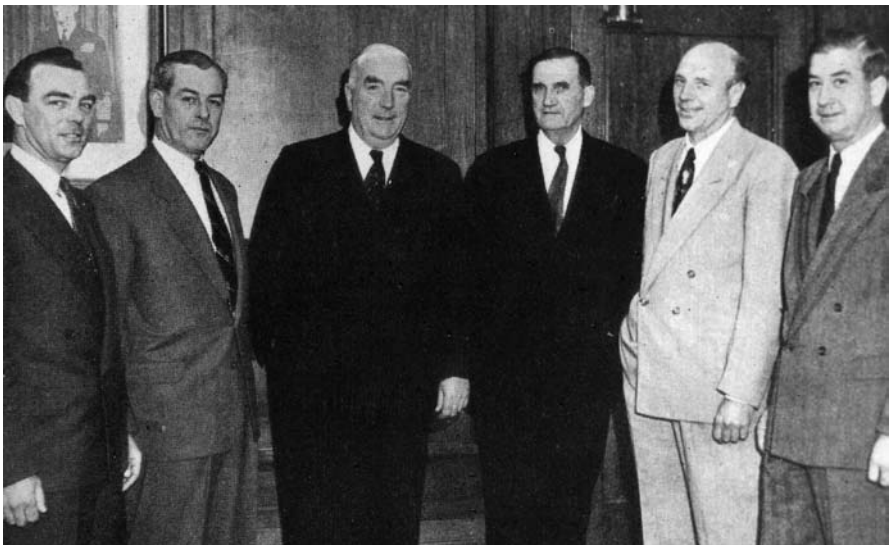
Eric McClintock (later Sir Eric) was one assistant appointed in 1946 who was not an ex-serviceman. After ten years in the Naval Supply Office, by his own account McClintock was persuaded by his secretary to apply for one of the new posts that were advertised in the Commonwealth Gazette. He has provided a down-to-earth account of how he was ‘trained’:

We trained ourselves largely by deciding which firms we wanted to go out and see because none of us knew what posts we were going to. None of us had the vaguest idea what we were going to do when we got there. So we took ourselves off to interesting places and we ‘trained’ ourselves.¹⁴

McClintock was posted to New York but he was diverted to Washington, where, as commercial attaché, he spent his time serving on various international emergency food council committees such as the Beans and Peas Committee and the Sugar Committee. He was moved to New York in 1948 as assistant commissioner. This was a genuine trade promotion position that allowed close contact with Australian businessmen and United States importers, including those involved in the rabbit trade. Uncertain of his future roaming the world as a commissioner, McClintock returned to Australia in 1951 as director of trade promotion within Commerce and Agriculture and subsequently as first assistant secretary, trade services, within the newly established Department of Trade. In these positions McClintock played a large role in shaping the trade commissioner service after the war and developing its high standing within the community of exporters.

Alan Westerman, who was to have such a powerful influence on the service in the 1960s, joined in the mid-1940s, first as a part-time employee and then as an assistant commissioner. A graduate in economics and education, and with professional qualifications in accounting, Westerman was completing a doctorate in education at Columbia University, New York, at the end of the war. He was keen to seek some employment to bolster his modest stipend, and Jim Garside, the acting trade commissioner in New York, was looking for additional clerical assistance for trade recording. In 1945 he was employed on a half-time basis. Westerman made such an impression that he was appointed assistant trade commissioner in 1947. But his basic interest was in policy, and his high qualifications pointed in the same direction. In 1949 he was appointed director of trade promotion and international trade relations and then, in

Dr W.A. Westerman (2nd R) with new Trade Commissioners in Canberra, 1955. L-R: E.B. Gilbert, P.R. Searcy, Prime Minister R.G. Menzies, Minister for Commerce and Agriculture, J. McEwen, Westerman, K.T. Ridley.
[DEPARTMENT OF FOREIGN AFFAIRS AND TRADE]



1960, as secretary, Department of Trade. Throughout his career Westerman was a powerful supporter of and advocate for the trade commissioner service. He took a personal interest in many individual commissioners, and always insisted that the role of the commissioner was to open doors, make contacts, and provide commercial intelligence.

The post-war trade commissioners worked with minimum guidelines and were obliged to develop their own method of operation. They were also relatively isolated. Cables were expensive and were used only when the occasion required the highest priority. Mail was slow. Correspondence from head office in Melbourne was usually restricted to broad policy issues and personnel matters. On issues of trade, the commissioner developed his own contacts in Australia and within the region of the posting. The situation encouraged, indeed demanded, a high level of independence that, for the most part, produced effective results.

At this time overseas service could be physically and emotionally challenging outside the culturally congenial London and North America. Many commissioners thrived on the global experience, the constant travel, the frequent moves to far-off places and the uncertainty as to where their next posts would be. Although the official length of postings was three years, to be followed by debriefing and rebriefing in Australia, in practice many commissioners were abroad for lengthy periods. Some ex-service commissioners had served abroad almost continuously for a decade or more. Life could be tough on families. Wives were relatively isolated, although the more enterprising found employment in the small English-speaking community of diplomats and other overseas representatives. Children were educated usually in international or American schools. Many flourished, except that the usual peer-group relationships were necessarily attenuated. Wives were, in effect, part of the trade commissioner's office in the role of hostess and often as a secretary. 'Two for the price of one' was the politically incorrect phrase used to describe the roles of the commissioner and his wife. Some women enjoyed the peripatetic life and cultural kaleidoscope and were accepting of being in constant demand as hostesses. Some women relished the role that enabled them to travel in ways that otherwise would not have been possible. For quite a few, however, there is no doubt that the role placed pressure on their marriage and some marriage breakdown was inevitable.

The commissioner was expected to find residential accommodation appropriate to his standing and suitable for official entertaining. This could be difficult, particularly in the early post-war years and in non-Western countries. It often meant lengthy periods living in hotels and much time spent scouring the housing market. For example, Arthur Millard arrived in Cape Town as

assistant commissioner early in 1947 to find that the letting of all residential housing was government-controlled and reserved for South Africans who had been on the priority list for years. Accommodation was available only for short periods, up to six months at a time, and at an extortionate price. It was necessary therefore to move from place to place with constant disruption to the family. In reporting the situation Millard advised that:

my wife is in a constant state of nervous anxiety and as a result has already had medical treatment. With a young family, I feel that I am subjecting her to grossly unfair treatment, and with conditions as they are, it is apparent that an Assistant Trade Commissioner in Cape Town should be a single man able to cope with the living conditions.¹⁵

There was another dimension to the residential housing issue in parts of Asia and Africa. As senior government officials, trade commissioners were expected to maintain households consistent with the norms of the country of residence. This meant employing servants—usually a driver, cook, housemaids, houseboy and gardener. This might seem an extraordinary luxury for an Australian, and perhaps it was; but such arrangements came at a cost—the need for the trade commissioner’s wife to manage a significant household in an unfamiliar cultural context. Again this highlights the central role of the wife in the trade commissioner enterprise. Over time the management burden was eased when the household staff remained intact over a series of commissioner postings, thus providing stability and support for incoming commissioners.

By the mid-1950s most of the post-war trade commissioners had retired or were nearing retirement. Together with the small number of survivors of the 1930s, these enthusiastic veterans of great experience and stature did much to establish the positive reputation of the trade commissioner service. The word ‘service’ was at the core of their tradition and their commitment to the support of Australian trade. To those joining the service in the late 1950s and early 1960s, they were legendary figures. It is true that their impact on Australian trade performance was limited. But they were an essential part of the extensive government-to-government negotiations and the resumption of market-based export trade.

The issue of overseas representation

In foreign affairs and overseas representation, it will be recalled that, until the latter part of the 1930s, Australia had adhered to the principle of the unity of the Empire. This meant that, with few minor exceptions, Australia was represented abroad by the United Kingdom government. The office of the high commissioner in London was the only diplomatic post of any significance.

The appointment of trade commissioners in the mid-1930s began to erode the unity principle but, at first, this was not considered to be path-breaking, given the non-political nature of these positions. As we have seen, however, most of the trade commissioners soon combined political and commercial responsibilities at a time of growing international tension. This was followed by the establishment of legations or high commissions in Washington, Ottawa, Tokyo, Nanking and Moscow in the early 1940s. These posts were established primarily to strengthen vital commercial or military relationships but, in the event, the creation of these posts represented—together with Prime Minister Curtin's urgent plea for military assistance from the United States in the aftermath of Pearl Harbor—a decisive shift in Australian foreign policy.

H.V. Evatt, as minister for external affairs, pressed ahead with expanding the network as soon as circumstances permitted. By the end of the 1940s new diplomatic posts were established in Wellington, New Delhi, Paris, Bangkok, Rio de Janeiro, Santiago, Colombo, The Hague, Dublin, Cape Town, the United Nations at New York, Tel Aviv, Rome, Seoul, Karachi, Manila and Geneva. In addition, posts in Singapore, Tokyo and China were reopened; Jakarta followed in 1950. Not all of these posts were at the highest level. The post in Manila, for example, was initially staffed at the level of consul general. But it is clear that at the end of the war there was a determination to establish an independent diplomatic network.

The rapid growth of the diplomatic service in the 1940s raised the issue of the relationship between Australia's diplomatic and commercial representatives while serving abroad. In the 1930s trade commissioners had been relatively free agents and were expected to deal with governments on a wide range of matters. With the multiplication of diplomatic posts, it was clear that this could not continue.



Dr H.V. Evatt (2nd L) and A.G. Hard (R), Calcutta, 1948. [DEPARTMENT OF FOREIGN AFFAIRS AND TRADE]

Hitherto, External Affairs had been a junior ministry and, for administrative purposes only, secured its formal independence from the Prime Minister's Department in 1936. In 1943, when preliminary thought was being given to the re-establishment of the trade commissioner service after the war, External Affairs moved firmly to establish its authority in the field of overseas representation.

As early as June 1943 the prime minister issued a circular letter to members of Cabinet indicating the way in which Australian officials should relate to the United States government in Washington. The essential point was that there should be a single accredited representative who would represent the Australian government as a whole, and this representative would be described as 'head of mission' and report to the government through the minister for external affairs.¹⁶ A clear hierarchy was established to achieve appropriate coordination.

This was the first of several essays in attempted coordination. In April 1945 it was necessary to flesh out the relationship in more detail prior to the planned growth in the number of overseas posts. The principle of a single head was endorsed, but it was necessary to cover a number of circumstances. For example, a consul or consul general might be the senior representative and the officer filling that position might be from Commerce and Agriculture. In this case the officer might be seconded to External Affairs and report accordingly. But if a diplomat were not available to head the post, the trade commissioner would report directly to Commerce and Agriculture. There were also to be strict rules covering reporting relationships, the substance of which was to ensure that the head of mission was fully informed of the activities of trade commissioners. Provisions were made for correspondence to pass through the office of the head of mission when policy matters were involved, and for access to governments outside Australia to be controlled by the head. When a member of an overseas mission, the trade commissioner would be designated 'commercial counsellor', 'commercial attaché' or occasionally 'commercial secretary'. There is no doubt that trade commissioners were to be heavily constrained.¹⁷

The directive was repeated in October 1947¹⁸ and again by the new Menzies government in December 1950.¹⁹ There were good reasons to insist on appropriate coordination between Australia's growing corps of overseas representatives, and to lay down the appropriate structure of authority for the conduct of international relations, particularly when policy issues were involved. There was an inclination for officers to give primary allegiance to their home department rather than to the Australian government as a whole. It is likely, too, that several of the older trade commissioners would

have chafed under the new rules. But, at this stage, there were no marked difficulties in relationships. As noted, the core issue was the determination of External Affairs to assert its primacy in international affairs. Indeed, in 1950 Percy Spender, Menzies' first minister for external affairs, after assuming office in 1949 proposed that the trade commissioner service be transferred to External Affairs so as to ensure appropriate coordination.²⁰ Nothing came of this suggestion, but the service had a difficult time, with many decisions about appointments and the creation of new posts delayed for many months. Delay was also caused by the sharp restraint on public expenditure imposed by Treasury for most of 1950/51 as the Korean War boom gathered momentum,²¹ and by the difficulty in attracting suitable recruits to the service. The service was probably not in real danger at this time, but there was uncertainty about future directions and lack of clarity about the respective roles of the diplomats and the commissioners.

Some pressure on the trade commissioner service was relieved in March 1951, when Spender resigned from the ministry to accept appointment as Australian ambassador to the United States. The new minister for external affairs, Richard Casey, with several decades of experience as a senior diplomat, adopted a less aggressive approach to the territorial interests of his department. Nevertheless, Casey also found it necessary to remind the several branches of the foreign service that there was a single representative of the Australian government in an overseas posting and that cooperation and consultation were essential for effective foreign representation.²²

There continued to be sporadic friction between the diplomatic service and trade commissioners over the following decades, at least until the amalgamation of the Department of Foreign Affairs and the Department of Trade in 1987. Leaving aside issues of personality, the irritation was usually the product of differences in outlook and style. Diplomats were selected on the basis of high academic achievement and outstanding personal qualities. They were generally educated at private schools and university—particularly, in the early years, the University of Melbourne—and were usually graduates in arts and law. As Australia's official representative in their country of accreditation, once appointed as heads of mission, diplomats were conscious of their senior position and their overall responsibility for the particular bilateral relationship. Accordingly, some could be zealous in asserting this status and that of their department.

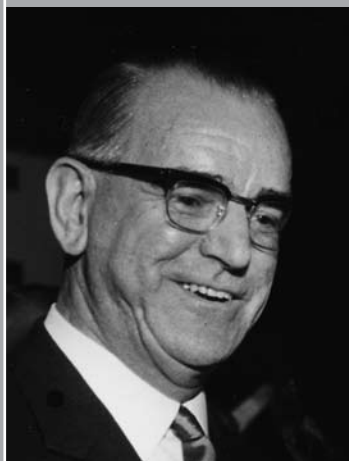
Because the volume and value of increased exports could be measured, the trade commissioners looked to quantitative results and adopted an entrepreneurial approach. They were drawn from the wider community and diverse educational backgrounds. Following the recruitment of ex-servicemen

immediately after the war, recruits were drawn from the public and private sectors in roughly equal measure. By the 1960s most were graduates, usually in commerce, accounting, engineering or arts. At the time of their recruitment, many were experienced professionals, having enjoyed a career outside government service. The distinctive characteristic these officers brought to the service was the intellectual energy and enthusiasm that would so characterise the Department of Trade after its formation in 1956.

Focused as the commissioners were on achieving outcomes, there was inevitably periodic irritation with the elaborate protocol imposed on them. This sometimes resulted in complaints from the diplomats that some commissioners were not observing the rules, particularly that of keeping the head of mission informed. At this distance it is not possible to form a definitive judgment on these complaints, although there is no doubt that there were transgressions. For the most part, however, diplomats and commissioners worked together professionally when housed together in an embassy or high commission. Many of the difficulties arose when commissioners were located at a distance from the responsible head of mission. This should not be portrayed as a major clash of interest and philosophy of the kind that afflicted Treasury and Trade in the 1960s, but there was periodic discontent within External Affairs (and then Foreign Affairs) about the relative autonomy and political influence of the trade commissioner service.

Chapter 5 will discuss the deployment of trade commissioner resources from World War II until the mid-1950s. As noted earlier, there was a strong swing back to the traditional markets of the British Empire and the United States. Gone, for the time being, was the intrepid exploration of the East. There were good reasons for the return to tradition with Europe and most of Asia in economic and physical turmoil. In a sense the decade after the war was a time of experimenting and testing the way in which Australia might position itself in the emerging world of international trade. By the end of the period, however, it was evident that the clock could not be turned back and that, once again, the future might lie with the emerging markets of the East.

5



Seeing red

*Senior Trade
Commissioner,
F.R. Gullick,
c. 1965.
[J.T. SMITH]*

In the decade after World War II, trade commissioners spread across the globe and turned up in a number of unexpected places. By the mid-1950s the service was more firmly established than at any previous time and was already carrying much of the burden of export policy. The way in which resources were deployed was a combination of tradition and adventure. There was a tendency to rely on the newly established post in London for the exploration of European opportunities—a conservative response to the economic desolation of so many countries that had been important markets for Australian wool before the war. The Far East—the focus of expansion in the 1930s—seemed to offer diminished opportunities because of political turmoil and economic dislocation. The new thrust was towards countries of the British Empire and the emerging British Commonwealth—India, British Africa, Canada, New Zealand and even the West Indies—and also countries of recent British influence such as Egypt and South Africa. The United States continued, however, to be a major focus of attention. But the move to areas of the Commonwealth (coloured red on world maps at the time), including the British colonies in the Far East, and the continuing exploration of new markets are unmistakable.

London and Europe

Australia at last appointed a trade commissioner in London in 1946, to be located at Australia House. Before the war there had been trade and publicity officers supporting the policy work of the high commissioner. Indeed, Arthur Hyland, a senior Victorian public servant on 'loan' to the Commonwealth government since 1926, had been director of trade publicity at Australia House. But the absence of a senior trade commissioner is indicative of the assumption that Australian exports to the United Kingdom were protected by the preferential arrangements negotiated at Ottawa in 1932.

The appointment of Charles Critchley to the position signifies that the United Kingdom was now accorded high priority. At the time, Critchley was Australia's most experienced commissioner. He had served a lengthy apprenticeship under Macgregor in Toronto, established the post in the Netherlands East Indies and served as commissioner in New Zealand for four years prior to the outbreak of war in the Pacific.

Critchley enjoyed considerable status in London. He was designated senior Australian government trade commissioner, and senior commercial advisor to the resident minister, initially the former Labor minister J.A. Beasley. A large staff of some fifteen members, including seven shorthand typists, supported Critchley. But the work itself must have had its frustrations, dominated as it was by the management of long-term contracts with the United Kingdom, support for numerous commodity boards, and the handling of import procurement for government agencies such as the Department of Import Procurement, the Medical Equipment Control Committee and the Commonwealth Coal Commission. The office was extremely busy and there was a steady increase in staff numbers; but the work of the office was largely administrative and, until 1953, there were few opportunities for trade promotion. The United Kingdom was in desperate financial straits after the war and was in no position to increase imports materially, even from the sterling area. The office handled trade inquiries in areas such as food, oils, fats and wool. Market surveys were undertaken. There was evidence, however, that Australia was not well prepared for the resumption of commercial trading. There was a tendency to assume that Australian exports to the United Kingdom would be restored along traditional lines, and insufficient attention was given to the progressive toughening of trade conditions that would soon emerge.

Despite the size and standing of the London post, the trade promotion branch within Commerce and Agriculture continued to be mildly dissatisfied with its performance, partly because of difficulties with local staff. The heavy load of administrative work appears to have dulled the senses. London was also the main port of call for Australian business people travelling abroad, whether

their ultimate destination was the United Kingdom or Europe. Nevertheless, the trade commissioners earned an enviable reputation for the excellent support provided to travellers. This support could include arranging for the traveller to be met on arrival, arranging accommodation, giving briefings on commercial conditions, arranging appointments and providing many other support services. For many years, also, London was the first point of contact for those wishing to explore opportunities in Europe. While this was a central part of the service, there was a tendency to regard London as an office away from home and, on occasions, commercial opportunities were not explored with sufficient vigour.

By the mid-1950s it had become clear that the United Kingdom was in relative decline as a market for Australian exports. Before the war the United Kingdom received more than one-half by value of Australian exports. By 1954/55 the proportion was down to 36.9 per cent and falling sharply. Reduced dependence on a single market was, of course, a healthy development, but the problem at the time was that exports were not responding in line with the needs of the Australian economy, the balance of trade was weak and the cost of invisibles (e.g. insurance and freight) was rising rapidly. There was an ever-present fear that the country would relapse into the chronic balance-of-payments crisis of the 1930s.

The policy response was at several levels, most of which will be discussed in Chapter 6. In relation to the United Kingdom, Cabinet authorised a substantial publicity campaign to promote Australian goods and arrest the relative decline of the British market— forlorn as it turned out. The campaign involved trade displays and special promotions as well as conventional advertising and was supported by a substantial budget. At another level the Ottawa agreement of 1932 was renegotiated to bring the balance of concessions more in Australia's favour. The existing preferences were retained and, in addition, preference was extended to a new range of commodities. The UK–Australia trade agreement negotiated in 1956 came into force early in 1957. Within the same context the Department of Trade was created to bring trade policy within a single



J. McEwen, Minister for Trade (L), and the British High Commissioner to Australia, Lord Carrington, sign UK–Australia Trade Agreement, 1957.
[NATIONAL ARCHIVES OF AUSTRALIA]

department, and a trade agreement with Japan was completed, a brave and far-sighted initiative taken when the scars of the Pacific War were still fresh.

Despite these trends, the London trade commissioner post continued to be pivotal, the largest and most complex through the 1950s and 1960s. The balance of work changed in the 1950s from the detailed management of the bulk contracts to policy work associated with Australia's participation in the GATT, the UK–Australia trade agreement, the international commodity agreements and representation for the large number of marketing agreements. In addition, there was a marked shift to commercial trade promotion. In connection with the trade publicity campaign, K.R.H. Ballantyne was appointed Australian publicity director in the United Kingdom in 1957. Critchley was replaced by George Patterson in 1953, after serving in London for a lengthy period, and was posted to Washington, where he served as commercial counsellor for a short period before retiring.

Partly because of the continual increase in staff numbers, London remained a source of concern. Accommodation in Australia House was relatively poor and did not present a shopfront with an appropriate commercial focus. It was also difficult to recruit good local staff, given the terms and conditions laid down by the Public Service Board. But London continued to be a hub and a favoured posting for trade commissioners.

Across the English Channel the trade promotion branch of Commerce and Agriculture moved cautiously to give Europe a profile that had been lacking before the war. Paris was the first post established (1946), partly because the trade office occupied by C.H. Voss for many years had become vacant and partly because of the urgent need to revive the important wool trade based at Mazamet in the south of France. Hugh Sullivan, an accountant by training who had served in the Commonwealth Auditor-General's Office, the Commonwealth Taxation Department and the Department of Commerce and Agriculture, filled the post initially.

In subsequent years Paris was regarded as a highly desirable posting, but this was not the case in the years immediately after the war. Until other posts were established, Paris was responsible—at least nominally—for northern and southern Europe as well as for France. The French economy was on its knees after the long years of Nazi occupation. The authorities had imposed stringent import controls, and it was almost impossible to develop new lines of trade. Because of the scale of wool exports, the balance of bilateral trade was heavily in Australia's favour, a situation about which the French complained constantly. The French were inclined to use the bilateral imbalance as a reason to oppose any broadening of imports from Australia. The saving grace was that wool exports recovered with a minimum of delay, largely because the fibre was such an important staple for a range of French industries.

Posts at Rome and Bonn followed when the prospects for trade with Europe were brighter. The post at Rome was established at the end of 1951 and was intended to cover southern Europe as a whole, from Spain and Portugal to the Balkan states. One of the reasons for locating the post at Rome was to allow easy access to the Food and Agriculture Organization. In terms of trade, the focus once again was on the restoration of wool exports to Italy. For this purpose Albert Senger was selected as commercial counsellor. Senger was an economist with broad interests in primary industries: his previous position was as chief economist of the Wool Realization Commission. Although import licensing was not as stringent as in France, Italy offered few trade prospects other than wool in the early 1950s. Indeed, wool represented more than 90 per cent of merchandise exports to Italy in most years of the 1950s, and the balance of trade was heavily in Australia's favour. In view of Italy's weak overall external payments position, there was a risk that the volume of wool exports could be threatened. In other parts of southern Europe, prospects were even more limited for non-wool exports and the evidence does not suggest that they were pursued with much vigour.

Once the fog of war had thinned, the Federal Republic of Germany (West Germany) presented an important market for Australian wool, meat, grain and minerals. Since the end of the 1940s this market had been growing rapidly. Indeed, in 1950 the trade commissioner in London arranged for a large annual consignment of fresh Australian apples to be exported to Germany.¹

Trade between the two countries was conducted within the framework of the German–Australian trade agreement, which was subject to renewal on an annual basis. The agreement allowed unrestricted entry into West Germany of wool, meat and minerals, and established minimum export quotas for certain food items such as canned, dried and fresh fruit. Australia reciprocated by offering an assurance that import licensing would be conducted in a non-discriminatory manner. In practice, this was no more than a restatement of Australia's obligations under GATT, but it is understandable that West Germany would be reassured when dealing with a British Commonwealth country.

The Bonn post was established in 1953 with Rupert Ellen as trade commissioner; he was also accredited as commercial counsellor, The Hague. Ellen was an experienced commissioner who had served previously in Toronto, New York and Washington. His specific task was to support the trade agreement, but he also had responsibility for the four Scandinavian countries and West Berlin. The rapid economic recovery of West Germany ensured that there was healthy growth in Australian–German trade. Bonn soon became an important post, handling a rapidly growing volume of commercial inquiries and business traffic.

London aside, the move into Europe was tentative, even timid, compared with countries and regions that formed part of the British Commonwealth. This is explained in part by uncertainty about the nature and extent of European recovery, the negative impact of the Cold War and even a degree of unfamiliarity. The wheel began to turn in the 1950s but more particularly in the 1960s, when trade with Eastern Europe began to be explored vigorously.

Subcontinental blues: India, Pakistan, Ceylon and Burma

In the flush of optimism that followed the end of hostilities in 1945, the prospect for trade with India (and surrounding regions) appeared bright. India remained a member of the British Empire. The prevalence of the English language made it relatively easy to conduct business. Shipping connections with the subcontinent were well established, and Australia was able to export in regular amounts items such as flour, wool and wool tops, tinned and preserved fruit. On a less regular basis it exported items such as railway sleepers and horses. During the war, India had accumulated substantial international monetary reserves in the form of balances held in sterling. With her large and rapidly growing population, she appeared to be poised for vigorous growth. Indeed, Australian exports to India grew robustly in the late 1940s.

The optimism is reflected in the number of posts that were established in the decade after the war. It will be recalled that the first Indian post was located at Calcutta in 1939 but, because of the war, was soon moved to New Delhi. The trade commissioner, Roy Gollan, spent much of his time in Simla as an advisor to the Eastern Group Supply Council. After the war he was posted to Bombay but was not able to take up the position because of a shortage of staff; in 1948, he was appointed high commissioner in New Delhi. The post at Calcutta—the key post for the jute industry—was filled for a short period by Eric Benson. It was not long before Benson found that Calcutta was the hardest of ‘hardship’ posts. He contracted amoebic dysentery soon after arrival in September 1946 and was witness to serious communal riots. In 1947 he was in hospital for an extended period recuperating from the effects of internal haemorrhaging. During periods of good health he was able to undertake useful work in relation to the disposal of surplus war supplies, and in arranging for the import into Australia of raw cotton, heavy oilseeds and spices and, of course, jute. Soon after India secured independence, however, the government of Jawaharlal Nehru imposed stringent import restrictions that sharply curtailed Australian exports. Benson was forced to return to Australia early in 1948 for health reasons. He was replaced by A.G Hard who, in turn, was soon replaced by A.N. Wootton in 1949.

Five additional posts were established in reasonably short order: Bombay (1946), Colombo (1947), Karachi (1950) and Rangoon (1955); New Delhi was opened on a continual basis in 1957. The priority that was given to the subcontinent reflected in part the difficulties facing post-war trade in parts of the Far East. In other words, it was hoped that India would compensate for the loss of opportunities further east.

Despite the importance of the jute trade, it became clear early after the war that Bombay offered somewhat better prospects than Calcutta. David Shubart, the first commissioner to take up residence in Bombay, faced obstacles of a different kind. At first his main concern was the great difficulty in obtaining suitable accommodation at a price that was regarded as reasonable. At the time, there were no rent allowances payable and, to find something suitable, the commissioner was obliged to draw on his own financial resources. Securing a motor vehicle at moderate cost presented a similar problem because the mileage allowance was quite inadequate. This was exacerbated by the fact that Shubart was initially responsible for trade promotion in the Karachi region

and, for this and other purposes, extensive travel was unavoidable. Problems of this kind cropped up quite frequently in the early post-war years and reflected, in part, lack of experience of overseas conditions on the part of the government and, in part, administrative inflexibility. Combined



Trade Commissioner in Bombay, H. Wrigley, inspecting imported Australian wattle bark being unloaded at Madras, 1953. [DEPARTMENT OF FOREIGN AFFAIRS AND TRADE]

with poor physical conditions and the ever-present health hazards, morale on the subcontinent was often fragile.

Shubart and his successors in the 1950s found that supporting trade between Australia and India was extremely hard graft. Duncan McPhee, a recruit to the service following distinguished war service, depicted the commercial roadblocks succinctly. McPhee was commissioner in Bombay for two years at the end of the 1950s. He and his wife enjoyed India at a personal level and travelled the country extensively. In a memoir he wrote that:

Trade with India was to say the least, at all times difficult and at most times, well nigh impossible, because of stringent import restrictions and a chronic shortage of foreign exchange.

Almost daily, commercial and governmental approaches were made to our office with regard to joint ventures; but with very few exceptions these came to nought, or were not worth initiating. ...

'Pure' commercial trade was never easy, nevertheless we did have some successes ... in wool, raw wool tops and shoddy, Australia's share of the trade steadily increased.

I travelled by road and called at all except two of the woollen mills in India. We were continually in touch with the principals in person or by letter and the efforts of my office, coupled with the constant and determined work done by Australian exporters for some years paid handsome dividends.

Australian milk powder was another item recovered by our trade office in Bombay and this trade was retained for years.²

Accounts such as this indicate that headway in India could only be made by concerted effort over a period of years. Even then the progressive tightening of import restrictions over the course of the 1950s made the trade commissioner's task increasingly difficult.

Calcutta was even more taxing. From the late 1940s there was a series of short-term appointments—several in an acting capacity. Keith Le Rossignol was one of those who found his time in Calcutta as an acting trade commissioner frustrating. He thought that trade with India could be tremendous in ten years, and that plans should be made now for the future. In 1955, however, his assessment was that 'we are concerned with a mass of inconsequential export offers and trade complaints, with some diversion being provided by monkeys, mica and migration'.³ The Calcutta post was eventually closed in 1968.

Le Rossignol's main contention was that, because economic decision making was becoming increasingly centralised as India embarked on her second Five-Year Plan, it was essential to have senior trade representation in New Delhi. The argument was that, in these circumstances, commissioners located in Bombay or Calcutta could achieve little. The point was taken. In 1957 a trade post was opened on an established basis in New Delhi and headed by Ray Gullick, one of the more experienced commissioners, who had served previously in Port of Spain, Vancouver and New York.

The situation in Colombo was also grim. In this instance the fortunes of the post were afflicted by a succession of short-term appointees who were physically and in other ways not up to the demands of Ceylon in the late 1940s and early 1950s. The post was opened by Charles Frost, a junior minister in the Curtin Labor government and Tasmanian member of the Commonwealth Parliament who lost his seat at the election of 1946. Plainly this was a political appointment, of which there were a few over the years. Frost was appointed

trade commissioner, Colombo, in 1947 and combined trade and political responsibilities; he was appointed formally as high commissioner to Ceylon when the former British colony secured independence in 1948. Understandably Frost gave most of his attention to political matters.

A dedicated trade appointment was made in 1949, when Major-General John Murray was appointed to Colombo after his unhappy three years in Wellington. By this time Murray was fifty-seven years of age and it is likely that his health had been affected by lengthy war service. In Colombo, however, his health deteriorated alarmingly and he appears not to have had his heart in the position. His family was divided between Ceylon and Australia and he was reluctant to move into private accommodation, lodging instead at the Galle Face Hotel at considerable personal expense. Late in 1950 he was confined to a nursing home and diagnosed with hepatitis, colitis and ascites; he was advised that he should return to Australia as soon as possible. He returned early in 1951 and died shortly afterwards.

This is not to suggest that trade prospects were not reasonable. The shipping connections were good, and Australian flour exports had made inroads against the Canadian product; there were good prospects for fruit and groceries, and possibly also for agricultural machinery. It was not a large market but it was a useful addition to the limited trade with the west of India.

The core problem continued to be staffing. The department found great difficulty in finding a replacement for Murray. The 'hardship' posts in tropical Asia were often difficult to fill and, in any case, the department's human resources were stretched in the early 1950s. Assistant trade commissioners filled the post at Colombo for almost four years. The first was Gordon Knight, one of the early assistant trade commissioners appointed in 1946, who had served previously in Tokyo and Bombay. Knight pleaded to be granted a non-tropical posting after his period in Bombay because of the impact on the health of his family, but such was the staffing situation that he was obliged to spend ten months relieving in Colombo. Kenneth Ward, who had been an assistant commissioner in Wellington, followed him and spent two years at the post. As we shall see shortly, Ward opened the troublesome post in Rangoon in 1955 immediately after completing his time in Ceylon. Finally the position was again filled at the level of trade commissioner in 1955, with the appointment of Herbert Goodger.

Goodger had been appointed in 1950 for the specific purpose of opening a post at Karachi. He was a retired British colonel and fifty-three years of age at the time. The decision to open a post in Pakistan was based on the desire to provide comprehensive coverage of the former British colonies rather than on any detailed assessment of trade prospects, and also on the desire to avoid

the appearance of discrimination between India and Pakistan. Karachi turned out to be a surprisingly popular stopping-off point for Australian businessmen en route to Europe—which kept the commissioner busy—but trade conditions were limited, as they were in India, and for much the same reasons. Goodger did not turn out to be particularly effective and, as early as 1952, it was decided not to renew his contract. Goodger dispatched frequent complaints about the cost of living in Karachi; he also complained about the high price and difficulty of obtaining wine and spirits in this Muslim country. The trade commissioner suffered a period of jaundice towards the end of his term in Karachi, and his wife was ill with amoebic and bacillary dysentery.⁴

*Trade
Commissioner
H.W. Goodger
and Mrs
Goodger with
residence staff in
Colombo prior
to departure,
1957.*
[DEPARTMENT OF
FOREIGN AFFAIRS
AND TRADE]



The fact that Goodger was appointed to Colombo is a further indication of the severe staff shortage for posts of this kind. The in-house assessment was that, while Goodger was ‘no world beater’, the department was primarily at fault in appointing a man of relatively senior years to a tropical posting and not giving him relief after a reasonable period of time. After three years in Colombo, the commissioner completed his service in 1957.

The decision in 1954 to ask Kenneth Ward to open an office in Rangoon was a classic case of casting one’s bread upon the waters. Previously the trade commissioner in Calcutta had covered Burma. Australian exports to Burma were around £2 million annually, the major components of which were flour, tallow and butter. The minister for commerce and agriculture, John McEwen, justified creation of the post on the grounds that the:

[Burmese] Government’s development spending which is already occurring and the great deal more that is planned as well as the better than usual commercial opportunities and sound financial position of Burma leads me to believe that Australia’s rather small share of the total import market (about 2%) could be improved upon by active trade promotion work.⁵

An assistant trade commissioner would head the post, responsible to the trade commissioner in Calcutta, an arrangement that reflected the experimental nature of the post.

The development program about which the minister had written came to nought. The country was in a state of unrest and the government barely in control. The country's principal export was rice, but the Burmese government became involved in a series of barter trade deals with the Soviet bloc countries and the People's Republic of China. The consequence was that hard currency inflow evaporated and, with it, the market for imported goods.⁶ After less than a year in Rangoon, disillusioned with both the collapse in trade and the harsh living conditions, Ward offered his resignation from the service (later withdrawn), but the writing was on the wall. Leslie Holmes replaced him in 1956; the post was closed in 1958.

The subcontinental venture of the late 1940s and 1950s was in the pre-war tradition of intrepid exploration of relatively new and difficult markets. The disappointments were only partly predictable. The department could not reasonably have anticipated the substantial closure of the economies of India and its neighbours after independence. There was an acknowledged weakness in the appointment of older men as trade commissioners to such a harsh part of the world, although younger men did not fare much better. With the advantage of hindsight, it is clear that the region was pursued too aggressively and with insufficient background research on trade prospects. Further, the department's plans to establish a network of posts ran ahead of its capacity to staff them with experienced commissioners. This having been said, however, on-the-spot official support for trade in a region such as the subcontinent was essential. As in other areas with heavy central planning, government-to-government dealings were necessary merely to initiate trade. The absence of such representation would have reduced even further Australia's small but useful trade with the region.

The Far East

As we have seen, the Far East was the prime focus of the trade commissioner service before World War II as Australia attempted to open new markets. Because of Japanese occupation, it had been necessary to withdraw from all of these posts.

After the war the intention was to re-establish the posts, but the uncertainty of trading prospects meant that restoration was only achieved gradually and incompletely. Japan lay in ruins and was under American rule; her economic prospects could not be predicted. China was in political and economic disarray as civil war descended on the country. Hong Kong and Singapore were not

as severely affected but were in diminished economic circumstances. The former Netherlands East Indies experienced protracted political turmoil as Java struggled for independence from the Dutch (granted December 1949).

Nevertheless, there was a determination to open as many of these posts as possible at an early date. Shanghai was one of the first reopened and Alfred Wootton was appointed trade commissioner. Wootton was an attractive and positive person, who had already suffered disproportionately through no fault of his own. In one sense his selection for Shanghai was unusual because he had already been in the East almost continuously for eight years, and was clearly suffering the physical effects of lengthy service in the tropics and his three and a half years as a prisoner of the Japanese in Sumatra. In 1938 Wootton had been appointed assistant trade commissioner to Gordon Bowden in Shanghai. He then spent six months in Calcutta in 1941, before rejoining Bowden in Singapore at the end of the year. He was captured by the Japanese with Bowden early in 1942 but escaped the summary execution that befell his boss.

On release from a concentration camp Wootton was suffering from chronic malaria, a heart condition and malnutrition; he was completely destitute and was obliged to cable Melbourne to provide an advance in cash and an issue of basic clothing. On resuming regular employment he had every reason to expect a choice of posts and, indeed, one was offered that was not regarded as 'hardship', but he chose to return to Shanghai because of his many friendships in the city and the possibility of reclaiming some personal possessions. Accompanied by his wife, he reopened the post in June 1946. An assistant trade commissioner was not appointed because of cost.

*V.G. Bowden
(L) carrying
the wreath with
A.N. Wootton
(behind),
ANZAC Day,
Shanghai,
1940.
[DEPARTMENT OF
FOREIGN AFFAIRS
AND TRADE]*



Wootton found himself caught in the midst of the advanced disintegration of the Nationalist government and the collapse of the Chinese economy. The government printed money to cover its substantial deficit, and hyperinflation was soon endemic. Indeed, inflation was Wootton's main difficulty as the

exchange rate failed to keep pace with the rate of price increase. Again, he was in serious financial difficulty personally and in conducting the trade

commissioner's office. There was virtually no opportunity for trade promotion: as fighting between the Kuomintang and the Communists raged over much of the Shanghai hinterland, Wootton was obliged to handle a growing volume of immigration inquiries and passport and other consular work. This work was undertaken under delegation from the Australian ambassador, Professor Douglas Copland, whose office in Nanking was not well located for this purpose. It was not long before it was decided that continuation of the post was not justified. Shanghai was closed in December 1948, shortly before the victory of the Chinese Communist Party and the establishment of the People's Republic. As we shall see in later chapters, trade with Mainland China—to use the terminology of the day—was resumed cautiously and surreptitiously in the 1960s, but a trade commissioner post was not re-established until after recognition of the People's Republic by the Whitlam government in 1972.

A short note on Wootton's subsequent career is justified. After a short period in Australia, he was re-posted to Calcutta to replace Albert Hard, who had also become a casualty of this disease-prone city. It was a tough call for a man who had spent more than a decade in tropical conditions. The decision was born out of desperation more than hard-heartedness. The service had lost commissioners to death, illness and resignation. With the advantage of hindsight, it might have been wise to leave the post unfilled for a time, but the department remained strongly committed to India. Wootton accepted the posting gracefully, but was soon confronted with the debilitating environment and its impact on his fragile health. In 1951 he was told that he would be posted to Paris, an acknowledgment of his condition and selfless service. Early in 1954 he spent a fortnight in hospital suffering from high blood pressure; several months later he died by his own hand at the age of fifty-four. The reason is not known, but the deterioration in his physical condition may have played a part. This personal history underlines how tough conditions were for trade commissioners, particularly in the East, in these formative years.⁷

There were a number of important cross-currents in the restoration of trade with Japan. At one level there was significant political and community hostility to Japan as a result of the ugly conflicts during the Pacific War, and lingering commercial resentment of Japanese penetration of the Australian domestic market in the mid-1930s by the use of so-called 'unfair' practices, as discussed in Chapter 3. Further, the Japanese economy was prostrate in 1945 and under the control of the Occupying Force dominated by the United States. The controlling agency was the Supreme Commander for the Allied Powers (SCAP), a reference to General Douglas MacArthur and his administration. SCAP would act as the government of Japan until completion of the peace treaty in 1952, and it was not clear how the Americans would view the restoration

of multilateral trade. Another complication was that, for security reasons, the minister for external affairs, H.V. Evatt, was strongly opposed to the restoration of trade until after a peace treaty had been concluded.

At another level there was growing recognition within government and commercial interests that trade between Australia and Japan was highly complementary. This had become evident before 1936, when trade between the two countries grew rapidly; at the time, Japan had become Australia's second or third trading partner. The exchange of raw materials and food for manufactures, the basis of the complementarity, would continue to drive trade between the two countries after the war. But, for the time being, the timing and nature of Japan's re-entry into the international trading system was under a cloud. Much depended on the way post-war reconstruction was handled by SCAP.

In view of these cross-currents, it is not surprising that Australian planning for the resumption of trade with Japan was tentative and not fully coherent.⁸ But there was early recognition that senior representation of Australian interests was essential. In April 1946 Prime Minister Chifley secured the appointment of William Macmahon Ball, a political scientist at the University of Melbourne, as the British Commonwealth representative on the Allied Council for Japan. The Council was intended as an advisory body to SCAP and comprised representatives of the British Commonwealth, China, New Zealand and the Union of Soviet Socialist Republics (USSR). Macmahon Ball also served as the Australian minister in Japan and head of mission.

A series of special-purpose missions to Japan took place at much the same time, including a scientific and technical mission to assess the capacity of Japanese industry to support reparations, a group led by W.D. Forsyth to assess the potential for Japanese trade, and a mission led by S.F. Lynch—a member of the Sanderson mission to India, Burma and Ceylon in 1935—to assess the capacity of Japan to supply essential and scarce items required in Australia. There was a degree of urgency in making headway. A contemporary judgment was that, in view of the number of American businessmen exploring commercial opportunities in Japan, there was a grave risk that Japanese trade in future would be dominated by the United States.

By mid-1946 the Australian government approved the appointment of trade officers to the Australian mission in Tokyo; this effectively paved the way for the appointment of a trade commissioner. The first trade representative, however, was J. Riebelt, an officer of the Department of Trade and Customs, whose prime responsibility was to undertake a survey of Japanese goods, such as cotton and rayon, that might be imported to relieve acute supply shortages in Australia.⁹ Brigadier Hugh Wrigley, whose background was discussed in the

previous chapter and who would become Australia's first post-war commercial counsellor and trade commissioner, was a member of the textiles mission led by Riebelt.

Wrigley's first post was scheduled to be Batavia, but this was postponed because of unstable conditions in the Netherlands East Indies. Membership of the textiles mission was intended to be a short-term assignment but was extended for several months. Wrigley also had a remit from Commerce and Agriculture to explore the reopening of wool exports to Japan. There were many impediments to undertaking this task. First, he had no official status until he was formally appointed commercial counsellor in October 1947. Second, Japan lacked the financial resources to pay for imports. Officially Japan, through SCAP, was a 'hard currency' (US dollar) country, but there was no inclination by the Americans to divert dollars to Japan to allow it to import wool. Third, Australian authorities remained dubious about the restoration of trade with Japan so soon after the war and—in the context of a world-wide shortage of textile fibre—were only willing to consider the export of a limited amount of fibre of inferior grade. This attitude might be regarded as short-sighted, with the advantage of hindsight, but it was understandable at the time.

Wrigley was fortunate, however, in several respects. His military rank enabled him to secure recognition among the senior officers of SCAP. He was permitted to use the title 'brigadier-general', equivalent in rank to a one-star American general. He also had the support of Major Lionel 'Ginger' Nuzum, an Australian who had lived in Japan for some twenty years, spoke the language and had extensive contacts in the wool importing business (and elsewhere) as a former employee of Parbury Henty & Co. Nuzum had been a translator during the war and was anxious to return to Japan; he effectively became assistant trade commissioner, without carrying the title. Nuzum was essential in supporting Wrigley's efforts to restart the wool trade in a complex political and cultural environment.

Like many of the post-war commissioners, Wrigley faced desolate physical conditions. He had to plead with Melbourne for a typewriter and a motor vehicle to enable the work to be conducted with reasonable efficiency. Macmahon Ball as head of mission was half-hearted in his assessment of the commissioner's qualities: '[a]miability was the characteristic of the Brigadier that chiefly impressed me ... He has a good bluff human manner and will probably do the job alright'.¹⁰ In fact, Wrigley received little cooperation from Macmahon Ball and there was some degree of friction between them. The situation improved when Patrick Shaw replaced Macmahon Ball in August 1947.

The resumption of trade with Japan is a complex story, involving as it did intra-Allied manoeuvring, changing views about the speed of Japanese economic recovery, problems of financing trade with the former enemy, and wider currency problems caused by the acute shortage of US dollars in Japan. The story has been told in detail by Alan Rix in an excellent study.¹¹ The following outline concentrates on the role of trade promotion in the restoration of Australian–Japanese trade.

Until late in 1947 all trade with Japan was on a government-to-government basis. In the first two years after the war, trade was extremely limited, partly because of political resistance to the early resumption of trade with the former enemy and partly because there was little scope for trade in view of Japan's economic desolation. As noted, Australia was only prepared to make available small quantities of inferior-grade wool, but it was keen to obtain imports of items in scarce supply such as silk, rayon, cotton and electrical insulators. A small quantity of silk was obtained in 1946 but settlement was deferred because there was no agreement about the method of payment.

A second post-war phase emerged around the middle of 1947. The United States began to accept, earlier than Australia, that the resurrection of the Japanese economy—and with it the alleviation of economic misery—depended on the resumption of trade. Acceptance of the principle of private trade evolved around mid-1947. The United Kingdom was particularly anxious to resume normal trading relationships, no doubt spurred by its own acute external payments problems. The Australian government accepted the inevitable in May 1947 and, in doing so, moved away from its previous policy of giving priority to the peace settlement in preference to the resumption of trade. Private trade with Japan was resumed on 15 August 1947. Because of payments problems, however, trade between the countries was on the basis of bilateral balance.

The resumption of trade on a more normal basis depended on the development of an effective payment system. The problem was that Japan possessed no foreign exchange because of its substantial surplus of imports. Consequently all trade with Japan was on a US-dollar basis until the end of 1947. Because the sterling area as a whole tended to have a payments deficit with Japan, this resulted in a sterling area 'leakage' of US dollars just at the time—mid-1947—that sterling was experiencing its most acute shortage of US dollars. The answer was the development of an arrangement for the settlement of payments with Japan in sterling. In other words sterling was used to settle trade accounts through a bank in the United Kingdom. The initial agreement provided for the conversion of sterling deficits into US dollars from time to time, but this is a complication that we do not need to pursue. The important

point is that from late in 1947 a reasonably effective basis for the resumption of private trade was established.

Although small quantities of wool were exported to Japan under government-to-government arrangements, the amounts were only sufficient to allow the Japanese mills to operate at token levels. There were some imports of wool from Argentina, but continuing unemployment in the industrial centres of Honshu appeared likely. There was a real danger that Australia would lose one of its most valuable export markets through inertia.

It was Wrigley, as commercial counsellor, who initiated the resumption of meaningful trade in wool. He proposed to SCAP in December 1947 that the proceeds from wool exports might be used to offset the outstanding debt arising from the import of raw silk. He was also sympathetic to the objective, shared by SCAP, of helping to place Japan on a sound industrial footing.¹² This had the effect of breaking the deadlock. Commerce and Agriculture and Treasury officials in Canberra were supportive, and wool was offered in larger quantities on the basis of balanced bilateral trade with Japan. This opened the way for private traders to be granted licences to import essential goods such as cotton, silk, rayon and porcelain insulators.

Wrigley proved to be one of the most effective post-war trade commissioners. His intervention with SCAP and his department in Canberra in support of wool exports was well timed, strategic and handled tactfully. He was also good at balancing hard work with celebration. On Australia Day 1948 he and Nuzum organised a party at the Maranouchi Hotel, his official residence. Many Americans were invited, including General and Mrs Douglas MacArthur. The reception room was festooned with gum leaves, organised by the hotel. The general declined the invitation for the reason that it was not his practice to attend social engagements. The Australians were delighted, however, with the attendance of Jean MacArthur and many of her compatriots. As there were no allowances available to fund the occasion, Wrigley and Nuzum paid for it themselves.

As we have seen, it was intended originally that Wrigley spend only a short time in Tokyo as a member of the textile mission. In the event he spent almost two years in the country, departing in September 1948. Once again he was destined for Batavia but, once more, conditions were not yet sufficiently settled, and he was re-posted to Hong Kong, where he arrived early in 1949.

Harry Menzies, one of the most experienced officers of Commerce and Agriculture and its predecessor, replaced Wrigley in Tokyo towards the end of 1948. Menzies was a cousin of the then leader of the opposition, R.G. Menzies, and was inclined to remind everyone who was prepared to listen of the fact. He was appointed to the Department of Commerce in 1934, and was

officer-in-charge of the Eastern trade section, responsible for the appointment of trade commissioners to the East following Latham's mission of 1935. During the war he served briefly as chief executive of the Directorate of Food Manufacturing. As a trade commissioner, he was tough, energetic and effective.

*Prime Minister
R.G. Menzies
(L) introduces
Trade
Commissioner
H.C. Menzies to
General Douglas
MacArthur
(C) at Haneda
Airport, Tokyo,
c. 1951.*
[DEPARTMENT OF
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The sterling arrangements were renewed on an annual basis until 1950/51. This involved an immense amount of negotiation. Menzies was heavily involved. He played a crucial role in promoting trade expansion against the more conservative, and protectionist, stance of the Department of

Customs and Excise, and in supporting the increasing number of businessmen who were anxious to explore the opportunities that were opening in Japan. Although bilateral trade balance continued to be an important principle, its interpretation became increasingly liberal. This allowed the value of Australian exports to grow exponentially, as depicted in Table 5.1. This was in spite of the fact that Australia maintained a restrictive, indeed discriminatory, policy against Japanese imports until completion of the commercial agreement with Japan in 1957. The rapidity of growth reflects the pace of Japanese recovery from the late 1940s, and the strong complementarity between the two economies. Wool dominated exports to Japan for the entire period, but there was a gradual broadening of the export base to include wheat and flour, barley, sugar, minerals and iron and steel.

The first two commercial counsellors played an important facilitating role. Indeed, they were essential in oiling the wheels of trade at a time of complex political and financial dealing. They were also important in encouraging Australian politicians and officials to take a more positive view of the future of Australian–Japanese trade. The support provided to business visitors was crucial in a country where the cultural norms were so unfamiliar. Indeed, Tokyo was one of the most important trade commissioner posts and soon rivalled London and San Francisco in its intensity of activity and ability to influence trade flows.

Table 5.1 Australian exports to Japan, 1946/47 to 1959/60 (£m)

Year	Australian exports	Share of all Australian exports (%)
1946/47	5.6	1.8
1947/48	2.5	0.6
1948/49	7.4	1.4
1949/50	24.0	4.0
1950/51	61.6	6.3
1951/52	48.5	7.2
1952/53	84.0	9.6
1953/54	55.7	6.7
1954/55	58.6	7.6
1955/56	86.5	11.1
1956/57	138.9	14.0
1957/58	102.7	12.6
1958/59	102.3	12.6
1959/60	134.7	14.4

Source: Australian Bureau of Statistics, *Overseas Trade Bulletins*.

Menzies was re-posted to Hong Kong in 1953. Before his departure he made an exploratory trip to Korea on government-to-government business. It was probably the first contact by a trade official with the country soon to become South Korea. It was a considerable period of time before trade between Australia and South Korea was established on a regular basis but, even in the early 1950s, there was interest from Korea in Australian wool. It is interesting to note that Menzies continued to be an explorer of new territory. When he was in Hong Kong, his parish included the Philippines, and he made regular trips to Manila. This led to the establishment of a continuing trade commissioner post there in 1957. While in Wellington at the end of the 1950s and in the early 1960s, Menzies sought to expand his territory to include the emerging South Pacific states of Fiji, Tonga, Samoa and the New Hebrides. The answer was that 'we do this from Canberra'. Menzies eventually prevailed and he visited the island states on a regular basis. Ultimately a trade commissioner post was opened in Fiji in 1986.

Trade posts in Singapore and Hong Kong, long regarded as central to the expansion of export trade, were both reopened in 1946. In both cases, however, the posts had been unoccupied for many years. The Hong Kong post had been left vacant since the dismissal of Edward Little in 1923, and Singapore had not been tended since the non-renewal of Egbert Sheaf in 1925 (leaving aside Bowden's brief wartime posting). There was no doubt on this occasion that these British colonies would play an important role in Australia's trading future.

*James Payne's
farewell (2nd L)
from Singapore,
1951. Also
pictured:
Assistant Trade
Commissioners
H.H. Rankine
(L) and K.A.
Baxter (3rd R).
[DEPARTMENT OF
FOREIGN AFFAIRS
AND TRADE]*



James Payne was the first post-war commissioner appointed to Singapore with responsibility for the Malay Peninsula. Payne was an experienced commissioner, having been a member of the service since 1934, first as assistant commissioner in Wellington and then in Cairo since 1938 as assistant and then commissioner. His background was as an

accountant in the Commonwealth public service, but this belied a colourful personality. He was a large man who cultivated a touch of eccentricity: he wore a large cowboy hat, sported a goatee and used a stout silver-topped cane.¹³ Highly individualistic in the mode of the early commissioners and not so good on bureaucratic procedures, he was nevertheless an effective operator, with much good work transacted in the Tanglin Club.

Australian exports to Singapore (and Malaya) recovered relatively quickly after the war and reached £16 million to £18 million in the late 1940s and early 1950s. Foodstuffs—predominantly wheat and flour, tinned and fresh fruit, vegetables and sugar—were the main items. The post was extremely busy with the large number of business people, officials and politicians passing through. A feature of the post was the annual trade fair. Organised by Austin Wood, director of trade publicity, these fairs displayed large quantities of Australian produce such as condensed milk, canned butter, tinned fruit and soup. Although some commissioners were occasionally sceptical of the effectiveness of fairs, they were valuable in raising awareness of Australian foodstuffs in Asia.

Payne was succeeded as commissioner in Singapore by A. Jack Day, an official in Commerce and Agriculture and Commonwealth paper controller from 1942 to 1945. Day's style as a trade commissioner was in marked contrast to that of his predecessor. Payne was a man of the club and cultivated contacts through entertainment and frequent visits to places of business. Day was a traditional bureaucrat, surrounded by files and chained to the desk. Ben Dawson was an able assistant commissioner under Day in the early 1950s. He has described Day's *modus operandi*:

If you received a [trade inquiry] ... You merely processed it by sending out a dozen letters to prospects and waited for their replies. If you did not get the replies, remind them that they had not yet replied to your letter. After the passage of some considerable time, the Department or the inquirer is then supplied with a collation of all the available information, perhaps or perhaps not with a recommendation.¹⁴

The outcome was a rapid accumulation of thick files. In Dawson's words, these files were 'arranged upon the leading edge of my desk to a height which could barely be looked over by anybody sitting in the visitor's chair!' This was far removed from the operational style that Alan Westerman had been encouraging his young recruits to adopt. Nevertheless, trade with Malaya, of which Singapore was then part, grew steadily, to the extent that this region was second only to Japan in the Far East as a recipient of Australian exports.

In the decade after the war, Hong Kong was a special location for a trade commissioner, in part because of a healthy volume of trade with Australia but also because of the proximity to China. Hong Kong, of course, was an entrepot for southern China; any development or disturbance in Hong Kong's giant neighbour had a disproportionate effect on the British colony. Further, the post in Hong Kong was a means of access to China when the political map was recast following the creation of the People's Republic of China (PRC). Although the People's Republic was not recognised by Australia, Hong Kong was the base for the exploration of trade opportunities. Thus, the post was highly political and, in the absence of diplomatic representation in the colony, provided consular services.

Three effective trade commissioners supported exports to Hong Kong in the decade after the war. The first was Reginald Hazzard, another recruit of mature years who, before the war, was an industrial chemist with Broken Hill Pty Ltd and also served as technical secretary to the director of construction for the construction of the Sydney Harbour Bridge. Hazzard was followed in Hong Kong by Hugh Wrigley (1949–1952) and Harry Menzies (1953–1956).

Hong Kong proved to be a volatile market for Australian exports at this time, influenced as it was by powerful economic changes in its northern neighbour. Before the war, Hong Kong was a modest market for Australian goods, reaching £1 million per year on only one occasion. In the late 1940s, however, the volume of trade grew rapidly as Chinese immigrants entered the colony to escape turmoil on the mainland. Manufacturing began to grow, replacing fishing as the main industry. Foodstuffs and raw materials were the main exports to the colony: wheat and flour, dairy products, processed meats (including bacon and ham), leather and wool, and naval stores. The value of exports grew to around £6 million per annum in 1950/51, much less in absolute terms than exports to Singapore but growing at a comparable rate. The role of the trade commissioners was the classic one of supporting the increasing flow of business visitors, handling the large volume of trade inquiries, dealing with trade complaints and providing commercial information to government and Australian exporters. As Hong Kong was a free port, the commissioners were not faced with the multitude of regulations and restrictions that applied elsewhere.

Suddenly this congenial story was disrupted by the entry of China in the Korean War. The United Nations imposed an embargo on trade with China in May 1951, with an immediate consequence for commercial life in the colony. Merchants found themselves seriously overstocked as the capacity to sell across the border was greatly reduced. Imports into the colony as a whole fell by 23 per cent between 1950 and 1952, while imports from Australia fell by 31 per cent over the same period. At the same time, Australia faced increased competition from Denmark, for example, in bacon and ham, and from Canada and the United States in wheat and flour.¹⁵ Recovery was relatively slow through the mid-1950s. Merchandise trade remained below the level of 1949/50 because of the continuation of the embargo and the economic stress in south China in the lead-up to the more radical approach of the second Five-Year Plan and the Great Leap Forward. Nevertheless, Hong Kong continued to be a post of strategic significance, both in its own right as its economy gathered momentum in the 1960s and as a location for information about the People's Republic of China.

The post at Jakarta was eventually reopened in September 1950, not long after the establishment of the Republic of Indonesia with Sukarno as president. George Anderson, a Scot, was appointed Australian government trade commissioner. Anderson was a chartered accountant who served in the Royal Australian Air Force during the war, rising to the rank of wing commander. Conditions in Jakarta were still turbulent in the early 1950s, with sporadic uprisings and tough living conditions. Jakarta and India shared similar

environmental and medical conditions. In one sense, however, Anderson enjoyed an advantage. When it was known that the post was to be closed prior to the Japanese invasion, one of the employees, a Chinese national by the name of Choa Tiang Goan, arranged for the storage of furniture, records and office equipment. The property was recovered after a decade of Japanese occupation and nationalist uprising. But, in all other respects, the going was as tough as in any other tropical post. The only remotely suitable accommodation was at the *Hôtel des Indes*, a grand hotel before the war that had fallen into disrepair and was grossly overcrowded. As was the case with a number of colleagues, Anderson had to use private funds to maintain a reasonable standard of living. He had been appointed to Jakarta for three years but, towards the end of his term, his assessment was that, without air conditioning and good food, two years was the maximum length of time that a commissioner should spend in the conditions.

Australian exports to Indonesia rose reasonably quickly in the early 1950s to around £4 million annually. Wheat, flour, fresh fruit and canned goods were the main items. Anderson played an important part in the recovery by working tirelessly to improve security at Indonesian ports. The problem was excessive pillaging. Anderson explained in a subsequent memoir:

In the early days it was quite a sight to see dozens of Indonesian wharf labourers with their little bags of flour leaving the vessels. It was not uncommon, in some parts of the hold, to be up near the knees in loose flour—the calico bags were in great demand for making clothing and a lot of bags were burst simply to get the calico.¹⁶

The problem was tackled with the support of the Indonesian police. After much negotiation Anderson persuaded the police to place armed guards on each vessel. He also played a direct personal role, at some risk to himself, in tackling pillaging. It was his practice to meet the cargo ships at Surabaya, and then proceed with the vessel to Semarang and then to Tanjong Priok, the port for Jakarta. At each of the ports the armed guards were assembled, and gradually the pillaging was reduced to tolerable levels. More than once, however, Anderson was attacked with a piece of three-by-two and barely escaped injury.

The importance of Anderson's initiative was that it provided Australian exporters to Indonesia with sufficient confidence to expand consignments—a good example of the flexibility and adaptability required of trade commissioners. Anderson had less success in promoting exports of manufactures. Business executives were loath to visit Jakarta in the early 1950s because of security concerns, including sporadic uprisings against Sukarno's government. By the

mid-1950s, conditions were more settled and the number of Australian visitors increased. Indonesia was emerging as one of the more important trading partners in the region.

Anderson's time with the trade commission, however, was short. He was transferred to Singapore in August 1953 but soon fell seriously ill with chronic amoebic dysentery and other ailments. He resigned from the service in September 1954. He was often irritated by Canberra's niggardly administration, often at Treasury behest. This was a common complaint in the 1950s and resulted in the loss of a number of capable commissioners.

By the mid-1950s, trade with Indonesia was well in excess of pre-war levels, and prospects for the long term were promising. The expectations were that

Indonesia would not be a high-growth country but that over time it would emerge as a substantial market, including an increasing proportion of manufactures. Thus, Jakarta continued to be regarded as an important trade commissioner post, not far behind Tokyo and Singapore among posts located in the Far East.

*Dr W.A.
Westerman
(R) welcomes
an Indonesian
Trade Delegation,
1953.
[DEPARTMENT OF
FOREIGN AFFAIRS
AND TRADE]*



The Americas

As we have seen, trade posts in North America had been established before the war, but it would be fair to say that in such a large market the presence was extremely limited. Toronto (1929) was designed to expand dried fruit exports to Canada and to enhance commercial relations between Australia and Canada in circumstances of exceptional economic stress in both countries and at a time of substantial 'closure' of the United States market. New York (reopened 1938) represented a tentative step towards taking advantage of some relaxation in the tense trading relationship between the British Empire and the United States, and was specifically charged with advancing a possible bilateral trade agreement between Australia and the United States. The trade agreement failed to eventuate and little could be accomplished before the outbreak of war. Washington (1944) assumed responsibility for government-to-government

commercial negotiations, and continued to be concerned with commercial policy between the two countries.

There was acknowledged weakness in this disposition and focus of trade posts. First, for economies the size of Canada and the United States, Australian representation was thin on the ground. Second, the posts were located along the eastern seaboard. The West Coast, a more natural trading region for Australia, was uncovered and certainly could not be supported from New York. Third, the New York office itself was struggling to make an impact in such a large and complex market. In short, in the context of trade relationships, Australia lacked visibility.

The weakness was recognised immediately after the war, with the creation of posts at San Francisco and Vancouver, both in 1947. This was an important initiative, as these two posts were among the more active and successful of the post-war era. Ottawa was also established in 1947, paralleling the Washington post for the purpose of supporting commercial policy dealings between Canada and Australia. A post at Montreal was added in 1953. However, the post at Toronto was not refilled—after Macgregor's departure in 1938—until 1972, thus imposing a strain on Ottawa and Montreal to cover the most populous province of the country.

The fact that Canada was allocated three posts at this time, the same as for the United States, reflected the high expectations for bilateral trade between the two countries. There were a number of reasons for Canada to be given priority. First, Australia traditionally had been in bilateral deficit with Canada and there was a strong incentive to narrow the gap. Second, Canadian dollar earnings were particularly valuable at a time of worldwide shortage of hard currency. Third, trade between the two countries was strongly complementary, with an emphasis on timber, paper pulp, motor chassis and parts, and business machines from Canada, and food, wool, hides and skins exports from Australia.

Ray Gullick's appointment as the first trade commissioner in Vancouver was unusual. In 1940 Gullick had been private secretary to the minister for external affairs, John McEwen, and continued in the role when McEwen was appointed minister for air later that year. Furthermore, he filled this role under Labor's minister for air and for civil aviation, Arthur Drakeford. He also served as McEwen's campaign manager in the elections of 1940.¹⁷ Whether McEwen or someone else encouraged Gullick to apply for a trade commissioner post can only be a matter of speculation, but it is interesting that he was appointed without the usual interview.

Gullick proved to be an energetic and effective commissioner, and the network of posts in Canada supported a rapid growth in Australian exports,

so much so that bilateral trade was more than balanced in 1950/51. In the late 1930s Australian exports to Canada amounted to around £3 million per annum but, by 1950/51, they reached £17.2 million, slightly more than imports from Canada. Admittedly this result was influenced by the high price of wool, but there is no doubt that Australian exports had broadened and deepened in the five years after the war.

Gullick and his colleagues were active in mounting regular displays of Australian goods, particularly foodstuffs. For example, an 'Australian Food Week' was mounted in British Columbia in August 1951 to coincide with the arrival in Vancouver of two large shipments of Australian foodstuffs. The campaign involved newspaper advertising, window and floor displays, and in-store demonstrations. Products included the standard export items to Canada such as dried fruits, pineapple products, tropical fruit salad and canned meats, but also newer items such as frozen crayfish and frozen rabbits.¹⁸ These campaigns were seriously time-consuming for trade commissioners, but they were often highly effective.

One advantage of a network of trade commissioners in a country or region, each serving a different role, was that there was the opportunity for teamwork. In Canada, for example, the commissioner in Ottawa provided essential support to commissioners in more commercial posts. Cliff Carne was the commissioner appointed to Ottawa in 1947. Carne had been a public servant in the Customs Department, Perth, before his appointment as assistant commissioner, Netherlands East Indies, in 1935, a position that he held until his evacuation in January 1942. During the remainder of the war, he served in a senior capacity in the Commonwealth food control.

Ottawa proved to be a more congenial and relaxed posting. Carne took the view that business must act within government controls and regulations, and that his role was to make friends and influence people within Canadian government circles. He was not in the habit of promoting business directly. This was of benefit when intervention with government was required. For example, when imports of canned meat through Vancouver were held up because it was asserted that they failed to meet relevant standards, Carne was able to facilitate the release by assuring the authorities that shipments in future would comply with Canadian standards.¹⁹ But this was a cut-down view of the role of a trade commissioner, even in a capital city. This was one of the disadvantages of appointing former public servants, who were inclined to take a narrow view of the commissioner's role.

Cyril Steele opened the Montreal post in 1953. As we shall see shortly, Steele had been in Cairo for seven years, and the contrast with Montreal could not have been sharper. Despite the general success of exports to

Canada, the province of Quebec was difficult territory for an Australian trade commissioner. Understandably importers in Ontario and Quebec drew most of their imports—particularly of manufactures—from the United States, and it was not easy to interest them in products from far-off Australia, especially with the addition of high freight costs. Over time, however, success was achieved in penetrating the market for canned fruit, as had been the case in western Canada. The Australian product was sold at a lower price than in Australia, and this made some producers reluctant to meet the rapid growth in demand. But successive trade commissioners, acting as *de facto* representatives of the Australian Canned Fruit Board, were able to encourage competition among agents, so much so that by the mid-1960s the value of exports of canned fruit grew at the rate of 20 per cent a year. While this was gratifying, there was only modest broadening of the export base beyond traditional commodities.

One of the rewards of trade commissionership was exposure to a wide range of significant individuals, and of countries and cultures. While in Montreal, Steele received Sir Arthur Fadden, deputy prime minister, who recounted that he was last in Canada in the 1920s when Calvin Coolidge was president and prohibition ruled in the United States. It was customary for Americans to hold conventions in Canada, for obvious reasons. One night Fadden was kept awake all night when Americans, in the next room, burst into song:

Four and twenty Yankees, feeling very dry
 Went across the border to get a drink of rye.
 When the rye was opened, the yanks began to sing,
 To hell with President Coolidge,
 God Save Our Gracious King.

The choice of San Francisco as the location for the post on the west coast of the United States would become a matter of controversy. There were those who believed that Los Angeles would be the superior location because of its much larger size. The advantage of San Francisco was its large hinterland and easier access to the West and North-West. Over a decade later, a trade mission to the west coast of Canada and the United States was impressed with the potential of the Los Angeles–San Diego area as the third largest manufacturing centre and the second largest conurbation in the country. The trade mission recommended to the Export Development Council in 1959 that a post be established in Los Angeles without delay.²⁰ It was not established, however, until 1964.

Stephen Lynch opened San Francisco in 1946. Without the support of an assistant commissioner, the task was indeed formidable. He was responsible for the western regions of the United States, including the South-West and Honolulu (where a trade correspondent was appointed at a later stage).

This was a territory beyond the practical reach of even the most assiduous commissioner. In practice, Lynch concentrated on northern California and the North-West (Oregon and Washington).

Lynch himself was not an ideal appointment for such a challenging task. Before his posting he was a senior clerk in Commerce and Agriculture and also a member of the Australian Wine Board. While the difficulties of penetrating the American market were acknowledged, the start at San Francisco was cautious. Perhaps this was understandable, as the United States market in both east and west was highly competitive, importers and consumers were exacting, and there was a labyrinth of import and other regulations to negotiate. Also, Australian exporters had much to learn about trade requirements and presentation in the United States. These skills were acquired slowly—perhaps too slowly—and depended heavily on the advice of trade commissioners.

Even so, Australian exports grew at a reasonable pace after the war and the United States was one of the country's largest export markets, usually vying with France or Japan for second or third ranking. The export trade, as usual, was dominated by traditional products such as wool, hides and skins, leather and frozen beef. Indeed, wool in several forms comprised almost 90 per cent of total exports to the United States in the early 1950s, a figure inflated only slightly by very high prices during the Korean War. But there were promising signs. Exports of lobster tails from Western Australia were growing rapidly, reaching a value of £1 million in 1952, and exports of minerals such as lead and zinc, tungsten and rutile were growing even more rapidly. However, it would take considerable time and effort for Australian producers to come to grips with the United States market and to broaden the export base. In the early 1950s Australia held a respectable 2.1 per cent of the American market for imports. The challenge for the future was to hold this share when the demand for wool was less buoyant, as would inevitably be the case.

*F.R. Gullick
broadcasting on
Radio Trinidad
during opening
of 'Australian
Products Week',
Trinidad, 1953.
[DEPARTMENT OF
FOREIGN AFFAIRS
AND TRADE]*



Two further ventures into the Americas should be noted briefly. The first was in the British West Indies, where a post was established in 1951 at Port of Spain, Trinidad, and opened by Ray Gullick, who transferred from Vancouver. This might appear to be a wildcat location, but this was not entirely the case. It is true that before the war Australian exports to the Caribbean were negligible and, with the islands firmly in the American sphere, portents were not encouraging. A combination of circumstances changed the situation. First, a direct shipping

line was established between Australia and the British Caribbean colonies in 1946 and for the first time presented an opportunity. Second, the trade commissioner in New York in the late 1940s, Rupert Ellen, lobbied hard and successfully for the relaxation of import restrictions against goods of British origin. A number of enterprising Australian exporters and Caribbean importers were able to work together to expand trade. Exports from Australia were predominantly foodstuffs, particularly canned goods. From virtually nothing in 1945/46, exports grew to £3.25 million in 1949/50. This was a useful additional destination for Australian goods but in the longer term it was difficult to maintain the early post-war momentum because of economic difficulties in the Caribbean and Australia's geographic disadvantage.

A genuine wildcat was the decision taken in 1946 to locate an assistant trade commissioner within the legation to be established at Santiago, Chile. The decision to establish the legation had its origin in an approach by the Chilean ambassador in London in 1944 to the Australian high commissioner inquiring as to whether Australia would agree to a diplomatic exchange. Australia agreed in principle. Initially, it was thought that Lewis Macgregor, minister in Brazil, would be accredited to both Brazil and Chile but, in view of Chilean sensitivity, it was decided to establish a mission in both countries.

The decision to establish a trade commissioner post in Santiago was not driven primarily by trade considerations. The head of mission, John Duncan, an experienced public servant at both New South Wales and Commonwealth levels, was judged not to have expertise in the commercial realm. Accordingly, Harold Rankine, a member of the first group of assistant trade commissioners appointed after the war, sailed for Chile in October 1946, arriving three months later.

Within months it was clear that the wildcat well was dry. In the absence of a suitable shipping connection, trade between the two countries was negligible. In any case, Rankine was inexperienced and was not well placed to seize on any opportunities. He was transferred to Hong Kong to work under Hugh Wrigley, but left the service in 1952.²¹ Trade between Australia and Chile began to emerge on a reasonably substantial basis in the 1960s, based predominantly on the export of wheat to Chile and the import of nitrate from Chile. A full trade post in Santiago was established in 1970 in these more favourable conditions.

Egypt and British East and South Africa

Trade prospects with the Union of South Africa and the British colonies of East Africa were considered to hold much promise in the years immediately after the war. Although South Africa was competitive with Australia in some

food products and raw materials, the Union was experiencing rapid economic growth and there were real prospects of finding markets for Australian manufactures. In British East Africa opportunities were opening for the export of foodstuffs and light manufactures, spurred by the region's mineral wealth, predominantly copper. The political turmoil that was to engulf the former British settlements was not easily imagined at this stage.

Egypt was judged in broadly similar terms as a market for Australian produce, and was also under British influence. Egypt had been a kingdom since 1922 but, because of Anglo-French control of the Suez Canal and the strategic and economic significance of the shipping routes east of Suez, the British were determined to protect their interests in the country. During World War II, Egypt was an important garrison and supply line for the Allied forces in North Africa. Indeed, Egyptian cotton played a critical role in the wartime supply of essential materiel. Egypt accumulated substantial sterling assets in London and was an important member of the sterling area.

It will be recalled that a trade post was established in Cairo at the end of 1936 at the behest of wheat and flour exporters, and maintained during the war at the level of assistant commissioner. The assistant played a useful role in supporting the import from Australia of rations and other war supplies for the campaigns in North Africa and the Middle East. In 1946 Cyril Steele was appointed commissioner in Cairo, and almost immediately struck oil in the form of rapid escalation in Egyptian demand for wheat, flour and other foodstuffs. The presence of a trade commissioner was essential to support commercial documentation and payments arrangements. Wheat and flour imports from Australia increased from £1.3 million in 1946/47 to a remarkable £19.8 million in 1950/51. Butter, dried milk, and canned and dried fruit were also imported, as were modest quantities of wool; but, in the peak post-war year, wheat and flour represented 88 per cent of Egyptian imports from Australia. In a survey of trade conditions in Egypt in 1952, Steele noted that Australian manufactured goods were not competitive with similar products from Europe.²²

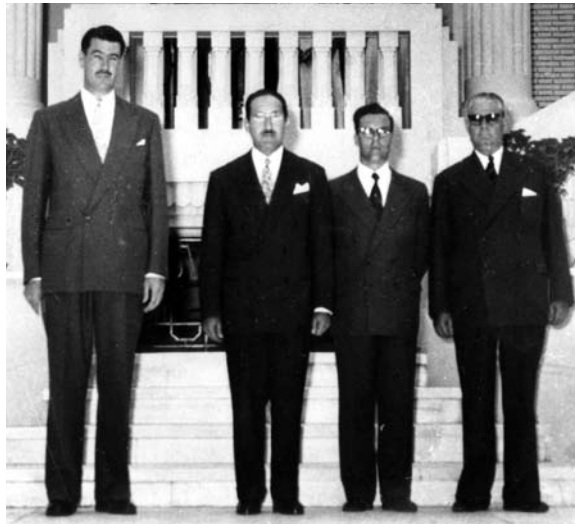
In 1952 the trade collapsed dramatically. Many factors contributed. The all-important cotton crop failed, and Egypt's available sterling reserves were almost exhausted. Stringent import controls were imposed. At the same time political unrest, which had been gathering momentum since the end of the war, boiled over in a series of violent riots against the regime and foreign interests. King Farouk abdicated in July 1952 and, over the next few months, a group of officers led by Colonel Gamal Abdel Nasser moved to establish a new regime. The Republic of Egypt was declared in June 1953.

Steele was fortunate to survive the riots of 1952, when Cairo burned. He has written a vivid account of the incident:

Actually 699 places were burned on Black Saturday. In the Turf Club nine of my friends died. The mob came around near there and set fire to motor car showrooms on the opposite corner and to Jimmy's Bar right opposite the Turf Club. A few of the sensible ones left the Turf Club but a few hard core stayed behind, barricaded the front door and drank pink gins. When the mob came over to the Turf Club the barricades lasted just a moment and the members went upstairs preparing to make a last ditch stand at the stop of the stairs. The mob however did not go upstairs but they set up a fire by piling furniture and furnishings at the foot of the stairs and lift well, poured kerosene over it and threw in an incendiary bomb, and also did the same thing in the dining room. A friend of mine who was with IBM knotted sheets together and slid down outside the building. The mob caught him and threw him back in the flames. The Canadian Trade Commissioner also died in the fire.²³

Because of the intrepid lifestyle necessary in many posts, trade commissioners, even more than diplomats, were commonly in the front line.

Like Cyril Hughes, his predecessor in Cairo, Steele was allocated a territory of unmanageable magnitude. In addition to Egypt, the territory included Sudan, Greece, Turkey, Cyprus, Syria, Lebanon, Palestine, Trans-Jordan, Iraq, Iran, Saudi Arabia, Aden and North Africa; Ethiopia and Eritrea were added later. The administration



Leaving the Australian residence in Cairo for the Presidency, 1955. L-R: A. Roden Cutler, Australian Minister to Egypt; Palace representative; N. Parkinson, Third Secretary; and S.D. Shubart, Trade Commissioner. [DEPARTMENT OF FOREIGN AFFAIRS AND TRADE]

in Canberra was continuing to use a scattergun approach. It would be several decades before there was sufficient focus to its targeting of export potential. It is also the case that Australia was relatively slow to recognise the potential of the Middle East, a subject that will be explored in Chapter 7.

David Shubart, fresh from his difficulties in Bombay, replaced Steele in Cairo at the end of 1952. Import restrictions continued, however, and it was not possible to re-establish the boom conditions of the late 1940s. Then, in 1956,

Egypt was plunged into crisis again when Nasser, now president of the republic, nationalised the Suez Canal. Australia supported Britain during the brief Suez War of October–November 1956 by withdrawing its trade commissioner. A trade post was not re-established until 1960.

There was interest in creating a trade post in South Africa before World War II, but a firm decision was not made until 1946. As noted, Australia and South Africa were competitive in a number of commodities, but the Union was not as developed industrially and there was an expectation that the Union would offer a market for Australian manufactures. George Patterson was appointed trade commissioner and was supported by A.B. Millard as assistant commissioner. Like so many of his colleagues, Patterson was an ex-serviceman who served in North Africa, rising to the rank of major. Before the war, he worked with companies such as Elder Smith & Co. Ltd and James Hardie & Co. Ltd, and this stood him in good stead as a trade commissioner. He was given responsibility for southern and east Africa, a geographical remit almost as challenging as that of his counterpart in Cairo. When asked to define the limits of 'southern and eastern Africa', the response from Canberra was vague and was along the lines of 'everywhere south of the Equator' in Africa.²⁴

Patterson and Millard initially were located in Cape Town but, soon afterwards, Patterson transferred to Johannesburg. When he settled in the South African capital, the trade commissioner found that he was obliged to conform with local standards in maintaining a substantial household. He explained that it was necessary to employ three servants: one 'outside boy', one 'houseboy', a cook plus a laundress two days a week. When queried about the size of his personal staff, he responded rather sheepishly that it was not possible to reduce the level of staffing because this was the norm for (white) Johannesburg households at the time.²⁵

Patterson was an assiduous commissioner: he travelled widely in British East Africa, including North and South Rhodesia, Kenya, Uganda and Tanganyika and as far afield as the Belgian Congo. He sent a constant stream of reports on trade conditions in the region. Unfortunately many of these were about the import and currency restrictions that South Africa was obliged to impose because of its own external payments difficulties. In April 1949 he organised an excellent display of Australian machinery (including the Rolls Merlin aero-engine that had been produced as part of the war effort), household goods and foodstuffs.²⁶ Patterson was a formal and dignified person who emerged as one of the most senior and effective commissioners.

Despite these qualities, the results in South Africa were no more than solid. The now-familiar commodities dominated the export trade. While manufactures were more successful in South Africa than elsewhere except

New Zealand, as a proportion of total exports they remained modest in the 1950s. Total exports to South Africa grew rapidly immediately after the war and reached £3.9 million in 1946/47. Over the next fifteen years the value of exports more than doubled to £9.9 million, or 0.9 per cent of total exports of goods. In 1961/62 exports were dominated by a handful of commodities, notably wheat, oil, wool and railway sleepers. But it was almost impossible for trade commissioners to battle successfully against the tight restrictions imposed by South Africa. Indeed, the commissioners found it difficult to attract Australian business to the country. The modest export of manufactures to South Africa was due in large part to the tireless efforts of successive commissioners.

During his five years in southern and eastern Africa, Patterson sent regular reports on the potential of British East Africa. In August 1947, for example, Overseas Trading drew attention to the availability of a two-month shipping service from Australian ports to Mauritius and East Africa and, early in 1948, he provided a detailed account of trading conditions in North and South Rhodesia, Kenya and Uganda.²⁷ The report was by no means idealistic, including as it did a description of chaotic conditions in the port of Beira and the existence of tight import restrictions. But there was potential: Australian kerosene refrigerators, for example, were in demand and a consignment of dairy cattle had made a good impression.

Trade prospects brightened with the formation of the Federation of Rhodesia and Nyasaland in 1953. The federation combined the former crown colonies of Northern Rhodesia and Nyasaland with Southern Rhodesia to form



Trade mission to South and East Africa led by E.P. McClintock (2nd L) is met by Australian High Commissioner, W.R. Hodgson (CR) and Trade Commissioner A.J. Day (CL), Johannesburg, 1954. [DEPARTMENT OF FOREIGN AFFAIRS AND TRADE]

a self-governing British territory of seven million people, of which more than 250,000 were of European descent. Rapid economic expansion was based on the rich copper mines in the north and productive agriculture in the south. Copper and tobacco were the main exports. The new federal government proposed that the three prevailing trade agreements with Australia be combined into a single new agreement. To explore opportunities, a trade mission led by Hudson Heyes of the Department of Trade and Customs was dispatched to the federation in 1955. Tariff concessions were negotiated without difficulty and were incorporated into a formal agreement that came into force in mid-1955. At much the same time, it was decided to establish a trade post at Salisbury, Southern Rhodesia. Gordon Knight, who had previously served as assistant in Tokyo, Bombay, Colombo and Johannesburg, was selected to open the post, and did so at the end of 1954.

For almost a decade trade between the two countries made steady progress, albeit on a modest scale. Southern Rhodesia supplied around 25 per cent of Australian imports of unprocessed tobacco, and the federation provided a useful market for Australian bagged wheat and manufactured dairy products. Australian exports to the federation grew from £1.9 million in 1955/56 to in excess of £3 million in the late 1950s.

There were, however, barriers in breaking into such a new market. The main competition came from South Africa and the United Kingdom, both well placed to secure a substantial share of the trade. One difficulty was that most traders and bureaucrats in the federation were English and oriented to imports from the United Kingdom. The assumption was that Australia could only produce food and raw materials of any quality. Knight was obliged to withdraw as trade commissioner from Salisbury within the year because of illness, and was replaced by William Lowe, a New Zealander who returned to his native country as a trade official after two postings with the Australian service. Lowe found his two years in Salisbury taxing because of the volume of work (he was also responsible for Mozambique) and the endless rounds of social engagements that he was obliged to attend. There were seventeen Commonwealth and foreign missions in the federation and as many as five or six cocktail parties to attend each week, all at five o'clock and all black tie.

In Salisbury the number of social engagements was amplified by the coexistence of federal and provincial governments. In a memoir Lowe observed that:

there was a lot of entertainment to be carried out among the people from both Governments and also a lot of things to attend to, functions to be attended by the Governments, and pay-back parties and all the rest of it. I had far more social life than I liked.²⁸

This was a common experience among trade commissioners, especially those who constituted Australia's sole representative in a city or region.

Looking forward briefly to the late 1950s and 1960s, the promising growth in trade was nipped in the bud by the rise of radical black nationalist movements that demanded self-government and universal suffrage. After a series of disturbances, nationalist leaders were arrested and their political parties banned. The rioting continued, however, which persuaded the British to grant majority rule in Northern Rhodesia and Nyasaland. The effect of white resistance in Southern Rhodesia led to the dissolution of the federation. Southern Rhodesia stepped up its demand for independence. When this was not granted the leader of the Rhodesian Front, Ian Smith, unilaterally declared Rhodesia independent. Australia joined with other members of the United Nations in imposing trade sanctions. While these were not fully effective, this brought an end to trade promotion in the region for an extended period.

New Zealand

Before completing this survey of trade posts established or re-established since World War II, brief mention should be made of New Zealand. As noted in Chapter 3, the post at Wellington was the first established after the passage of the *Trade Commissioners Act 1933*, and was one of the few maintained through the war years.

A critic of government involvement in commercial trading arrangements might argue that the appointment of a trade commissioner in a country such as New Zealand was unnecessary. The two countries shared geographic and cultural propinquity, and similar financial and legal systems. The contention could be that, if Australian exporters could not find markets in New Zealand by themselves, they did not deserve to be in business.

This line of argument might have validity for a later period, but it did not apply in the decade after the war. There are a number of important reasons. First, New Zealand was a highly protected economy at the time, as of course was Australia, and much commercial diplomacy was required to encourage trade to flow. Second, New Zealand used tight import restrictions rather than tariffs as its primary mechanism of protection. She also granted preference to imports from the United Kingdom, preference that was not available to imports from Australia. Third, New Zealand was sensitive about its adverse balance of trade with Australia. Careful on-the-spot handling by a skilled diplomat and trade commissioner, therefore, was essential. Further, Australian exporters were inclined to take New Zealand for granted, almost as an extension of the domestic market. As in so many other markets around the world, many Australian exporters required support and inducement to help modify traditional attitudes to international markets.

From the point of view of trade commissioners, posting to New Zealand was a relatively comfortable and enjoyable experience. A New Zealand posting was often used by the department to relieve and refresh those commissioners who had served in the tropical East for extended periods. This is not to suggest that New Zealand was a sinecure. The volume of work was substantial with the post-war growth in trans-Tasman trade, and it was not long before the decision was made to add posts at Auckland and Christchurch. But the problems of health, remoteness and cultural dissonance were absent.

Thus, William Carney, who had served as assistant in New Delhi in the early 1940s, was appointed assistant to Wellington in 1944 and shortly afterwards was promoted to trade commissioner, with the designation commercial secretary. After his period in Hong Kong, Reg Hazzard was appointed to Wellington in 1950. Similarly, after a period in Calcutta in the early 1950s, William Hudspeth served in New Zealand from 1955 to 1958. Harry Menzies followed after eight years in Tokyo and Hong Kong. It would be much too strong to suggest that there was a systematic policy of rotation between Eastern posts and New Zealand, but the opportunity was taken when circumstances permitted.

*R.V. Butler
Managing
Director, R.V.B.
Engineering
Products Ltd
(L), leader of the
Trade Mission to
New Zealand in
January 1956,
discusses results
with J. McEwen,
Minister for
Trade (R) and
J.G. Crawford,
Secretary,
Department
of Trade.*

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Trade between Australia and New Zealand was at a modest level immediately after the war because of the trade restrictions imposed by both countries, but grew steadily after 1951, when a number of restrictions were relaxed. A feature of the New Zealand market was that it

provided opportunities for manufactured exports to a greater degree than elsewhere, other than the United States. Indeed, New Zealand absorbed around 25 per cent of Australia's admittedly modest level of manufactured exports. Overall, Australian exports to New Zealand grew from £17.6 million in 1950/51 to around £42 million in the mid-1950s. In terms of the proportion of total exports of goods and services, exports to New Zealand increased from 2.1 per cent in 1950/51 to around 5 per cent to 6 per cent in the mid-1950s. For the next twenty years this level was maintained, with only variations, despite the useful initiative of the New Zealand–Australia free trade agreement.

The underlying restraint on the growth of trade was the limited size and sluggish growth of the New Zealand economy.

The Service in the mid-1950s

By the mid-1950s the Department of Commerce and Agriculture, immediately before its transformation into the Department of Trade, was responsible for a network of twenty-two trade posts spread over four continents and the Indian subcontinent, compared with the six posts that had been established before the war. The trade posts had become a significant commitment of resources. Indeed, trade promotion through the network of trade posts had become a major arm of trade policy in the struggle to improve the sluggish performance of Australian exports.

It is fair to say that most of the trade commissioners were fighting an uphill battle. As the world moved from war to peace, the service was faced with constant political upheaval and the onset of economic nationalism—not least within Australia itself, with its high tariffs, tight import restrictions and pegged exchange rate that combined to make non-traditional exports uncompetitive on world markets. In these conditions on-the-spot representation was crucial in such difficult and politically sensitive markets as Japan, Egypt and Indonesia, and even in New Zealand. There were, of course, disappointments, as in India, but this was outside the control of even the most assiduous commissioner. In India it is likely that export performance would have been even more restricted in the absence of representation.

The distribution of trade posts continued the pre-war bias in favour of markets that were hopefully emerging. The early post-war emphasis on re-establishing links in Europe was comparatively short-lived. This is illustrated by the fact that, in 1955, there were only four posts in the United Kingdom and Europe at a time when 59 per cent of Australian exports were destined for this part of the world. The bias reflected the anxiety about the loss of traditional markets and the need to find new ones. Clearly this was a high-risk strategy and, with the advantage of hindsight, a more focused approach might have achieved superior results. In some cases posts were established without the careful exploration of trade prospects in the country or region in question.

The rapid post-war expansion of the service imposed significant strain on both the trade promotion branch of the department and on the trade commissioners. As we have seen, there was little formal training at the time. There was a shortage of suitably qualified candidates despite the fact that there was always a surfeit of applicants; living conditions at many posts were poor, and the terms and conditions of appointment were often niggardly and insufficiently flexible, largely because of tough rules determined by Treasury

and the Public Service Board; the department itself was not sufficiently familiar with overseas conditions, and it was slow in responding to correspondence from trade commissioners.

The difficulties of communication meant that commissioners had to be self-reliant, resourceful and necessarily individualistic. Other than through the monthly report—and not all commissioners were diligent in producing them—there were few checks on performance. Inevitably, this resulted in a good deal of unevenness in performance, but it did allow the majority of dedicated commissioners to achieve good standing among those businesses whose representatives were willing to venture abroad. Perhaps the most important role of the trade commissioner service at the time was to begin the long process of supporting the internationalisation of Australian business. Dependence by Australia on the export of a handful of bulk commodities to a small number of major markets, notably the United Kingdom and Europe, had produced a narrowness of outlook and an unsophisticated approach to export marketing. This began to change in the decade after the war, but there was still a great distance to travel.

6



Export for development

*John McEwen,
Minister for
Commerce and
Agriculture
(1942–1956);
Trade (1956–1963);
Trade and Industry
(1963–1971).
[DEPARTMENT OF
FOREIGN AFFAIRS
AND TRADE]*

The trade commissioner service entered a new phase in its history in the mid-1950s. The trigger was provided, once again, by a balance of payments crisis. On this occasion the crisis was not large by historical standards, but it was sufficient to propel a range of trade promotion initiatives: an increase in the number of trade missions to explore markets abroad, an enlarged budget for trade publicity, and expansion in the trade commissioner service. Whether these initiatives were sufficient to achieve payments balance in the medium term is debatable, but it was clear that they could not achieve results quickly. Therefore, the burden of adjustment fell on imports, with new measures to tighten credit and impose further import restrictions. This was one of the ‘stops’ of the ‘stop-go’ style of macroeconomic management of the post-war era.

At the same time, the Commonwealth government’s administrative arrangements were recast to create a single Department of Trade, thus eliminating the division of responsibility for trade policy. It would be incorrect to say that the payments crisis of 1955/56 was solely responsible for the administrative overhaul. Friction over the divided responsibility for trade matters had been building since the end of the war, but the urgent need to improve Australia’s external position was an important catalyst.

Change was also in the air at the trade commissioner level. The larger and better resourced Department of Trade was able to provide improved support for commissioners in the field, and to define the responsibility of commissioners more precisely. Terms and conditions of employment were improved, and the high personal and financial cost of overseas service began to be recognised. Generational change also occurred in the late 1950s. Most of the ex-service commissioners of mature age retired at this time, and were replaced by younger men—the first woman trade commissioner was appointed in 1967—who, on the whole, proved to be more adaptable in the growing number of hardship posts. The training of commissioners, however, was still rudimentary until more formal programs were introduced in the early 1960s.

This chapter will discuss the reaction to the payments crisis of 1955/56 through to the much larger crisis of similar origin in 1961/62.

Problems of prosperity

On 27 September 1955, Prime Minister Menzies rose in the House of Representatives to deliver a statement on the economy. The statement was presented only weeks after delivery of the Budget in August, an indication of the escalation of anxiety about the external position and shortly before the general election held on 10 December 1955.

The theme of the statement was ‘problems of prosperity’, a politically acceptable way of explaining that external imbalance—and the corrective measures that were to be introduced—were a consequence of the steady economic growth and full employment that had been achieved since the early 1950s. Briefly, the high level of domestic demand had been spilling over into imports, with a consequent sharp decline in international currency reserves. The prime minister ruled out any adjustment of the exchange rate as unthinkable and expressed disgust at the thought of speculative movement of funds that would accompany any movement in the exchange rate peg. This was the conventional wisdom of the day and continued to be the case until the flotation of the dollar in 1983. The only option, therefore, was the imposition of further import restrictions, the tightening of bank credit and jawboning of hire-purchase companies into limiting credit growth.

This was not merely a short-term issue of adjustment. Rising imports were essential for both industrial development and personal consumption as well as for the purpose of population growth. In other words, the broad economic strategy of the nation depended on the growing capacity to import and hence on a rising quantum of export receipts. The potential of capital inflow was only beginning to be appreciated and did not figure much in the rhetoric of the time.

Although the prime minister did not say so explicitly, there was widespread disappointment with the performance of Australian exports after the great wool boom of 1950/51. As depicted in Table 6.1, the trend of exports of goods and services was essentially flat in the 1950s with recurrent balance of payments crises. More concerning was the downward shift in the ratio of exports of goods and services to gross national product. This indicates clearly that the thrust of policy favoured growth of the domestic economy through tariff protection, import restrictions and population growth at the expense of export-oriented growth.

Table 6.1 Export performance, selected indicators, 1949/50 to 1960/61

Year	Exports of goods and services (£m)	Current account balance (£m)	Ratio of exports of goods and services to GDP (per cent)
1949/50	651	-36	24.7
1950/51	1,044	125	29.8
1951/52	741	-544	19.6
1952/53	925	195	21.7
1953/54	894	-2	19.1
1954/55	851	-239	17.1
1955/56	867	-224	16.1
1956/57	1,092	109	18.6
1957/58	920	-155	15.3
1958/59	925	-193	14.4
1959/60	1,072	-232	15.1
1960/61	1,083	-370	14.3

Source: W.E. Norton and C.P. Aylmer, *Australian Economic Statistics 1949-50 to 1986-87: Tables*, Reserve Bank of Australia Occasional Paper 8A, Sydney, 1988.

There were a number of powerful reasons for the sluggish export performance. The first was the decline in the terms of trade, the ratio of export to import prices. In the period covered by Table 6.1, the fall was a substantial 31 per cent, a fall exceeded only during the Great Depression of the 1930s. Second, the composition of Australian exports continued to be narrowly based, with dependence on wool, wheat and flour, meat, dairy products and, to a lesser extent, sugar. Although some progress had been made in the export of manufactures, the quantum was modest and was not quantitatively

significant. Third, the high costs of production internally tended to narrow the export profile to the traditional and relatively low-cost commodities, and these commodities, as we have seen, were under downward price pressure. At a deeper level Australia lacked an export culture, or export consciousness, as was freely admitted at the time. The traditional commodities were sold without the requirement of marketing expertise. When more sophisticated marketing was required, many Australian products were found wanting, as trade commissioners reminded their clients incessantly.

The consequence of the limitation on export earnings was judged to be retardation in the rate of economic development. The linkage was through imports. Development required a rising quantum of imports of capital equipment, of a range of consumer goods and of specialist raw materials (including oil). Thus, if imports were constrained, the development 'project'—the central feature of social as well as economic policy in the post-war era—was under threat.

In his address to parliament the prime minister proposed a number of remedies: the establishment of an export credit scheme to underwrite the financial risks associated with exporting, particularly to new and unfamiliar markets—this proposal became the Export Payments Insurance Corporation (EPIC), which was established in 1956; the enhancement of trade publicity to 'sustain our markets'; a strengthening of the trade commissioner service that was 'well regarded for its quality'; and the dispatch of 'strong missions overseas with special tasks to develop new markets'. The missions would comprise 'practical men who know their goods and are experienced in salesmanship'. For this purpose the government was prepared to subscribe money 'liberally'.

With the possible exception of the proposal to establish EPIC, these measures would have an impact only over time. It could be argued that they did not tackle the more fundamental problems of high internal costs and an exchange rate that was overvalued in the range of 10 to 20 per cent. It was evident that most of the adjustment in the short and medium term would be on imports and hence on the rate of economic expansion.

Because the performance of exports of manufactures had been so disappointing, Australian manufacturers were subjected to a good deal of jawboning in the weeks that followed the prime minister's statement. In November 1955, for example, Minister McEwen addressed the South Australian Chamber of Manufacturers under the title 'Exporters—The Manufacturer's Responsibility'. McEwen's language was diplomatic, but the clear message was that manufacturers were not earning sufficient overseas exchange to support the national project of economic development. It was pointed out that the

government supported the reconstruction of primary industries in the early 1950s to enable export volumes to be increased, that scientists had contributed greatly to the efficiency of rural industries, and that expenditure on export publicity, trade missions and the trade commissioner service amounted to almost £1 million annually. Manufacturers were now required to play their part.¹ General exhortations of this kind were common in the 1950s but, in this case, no tangible incentives were offered nor any change made to established economic settings.

Department of Trade and its minister

One of the most important changes initiated at this time was the formation of the Department of Trade in January 1956. The new department rapidly established a reputation for innovation and activism, and exercised a powerful influence on the conduct of economic policy—so much so that it began to rival Treasury in the economic policy field. The standing of Trade was enhanced after the general election of 1958, when John McEwen replaced Sir Arthur Fadden as deputy prime minister and leader of the Country Party. Within the new department, trade promotion—and with it the trade commissioner service—grew substantially as a central instrument of trade policy.

Creation of the Department of Trade involved a major rearrangement of responsibilities. In a historical and functional sense, one of the most important was the replacement of the Department of Trade and Customs by a more focused Department of Customs and Excise. Trade and Customs had been one of the foundation departments of the Commonwealth (established 1901), and was responsible for the management of the system of tariff protection that was a hallmark of Commonwealth policy in the first half of the twentieth century and beyond. The department was also responsible for trade agreements and, as the name suggests, for the administration of customs and excise. The approach of trade and customs was strongly protectionist: the emphasis in dealing with balance of payments problems was to secure adjustment by varying the rate of importation. It had no formal responsibility for export promotion and was inclined to accord export enhancement much less weight in tackling the country's trade problems.

Since World War II the standing of Trade and Customs had been slipping. Before the war a minister of high standing held the portfolio, usually with a ranking in Cabinet of five or six. In the first two Menzies governments after the war, the ministerial ranking fell to nine or ten. Although Trade and Customs continued to have an important policy role, most of its activities were regarded as administrative.

The other main strand of reorganisation was discontinuation of the Department of Commerce and Agriculture. The task of export promotion was assumed by the Department of Trade, while responsibility for agricultural production was hived off into another new department—Primary Industry—with William McMahon as minister.

*Department of
Trade Buildings,
Canberra,
c. 1956.*
[NATIONAL
LIBRARY OF
AUSTRALIA]



The removal of divided responsibility for trade policy eliminated a significant anomaly in the structure of government. To simplify: before 1956 there was one department for imports and another for exports, the first with a defensive and inward looking approach to external economic relations, the second with a positive approach to engage with the world economy in support of Australia's primary exports. The new Department of Trade combined elements of both these philosophies. It retained high protection as a cardinal philosophy and incorporated an aggressive approach to export promotion. These two strands, contradictory in a number of respects, sat side-by-side for almost twenty years.

We do not know with precision the political background to the decision to reorganise the departments dealing with exports, but it is clear that the prime minister played a central role. He would have been aware of the growing dissonance in the execution of trade policy, but it is unlikely that a firm decision was made until late in 1955 in the context of the payments crisis.² With the Menzies government returned at the election of December 1955, McEwen was given the inside running to head the Trade portfolio. At the age of fifty-five, McEwen was already an experienced politician with the energy and commitment to lead a demanding portfolio, with punishing travel schedules and heavy responsibility for the future of the economy. As the minister presumptive, he was in a superb position to determine the leadership and ambit of the new department. In a detailed letter to the prime minister in early January 1956,³ he set down his requirements with characteristic firmness.

The first of these was that John Crawford and Alan Westerman, as permanent head and director of trade policy respectively, transfer to the

Department of Trade to maintain the triumvirate that worked so effectively in Commerce and Agriculture.⁴ This was a relatively easy request to accept, but it did mean that the cautious and bureaucratic style of Trade and Customs was replaced by intellectual vigour and activism. The second request was more difficult. Effectively McEwen asked for a one-line budget subject only to Public Service Board rules. In particular, he wanted freedom from Treasury approval for each and every item of overseas travel, and required that financial responsibility be delegated to the head of department or head of division. Close Treasury oversight had been a constant source of irritation for the trade commissioner service and hindered its effectiveness. With the expansion in the number of commissioners envisaged, the argument was that it would not be possible to operate an expanded service effectively under existing rules. It is a measure of McEwen's rising stature—and the urgent need for export expansion—that these requests were granted in large measure.

By 1956 John McEwen had been a member of the Commonwealth parliament for twenty-two years and a minister for eleven. Prime Minister Joe Lyons first appointed him to the ministry in 1937 and he held a number of junior portfolios under Prime Minister Menzies between 1939 and 1941. The depression of the 1930s had played a large part in moulding his approach to public policy. Although he was not from a farming background, he secured a soldier settler block in northern Victoria in the 1920s and eventually began dairy farming. It was an extremely tough life and the young farmer battled drought and rabbits; indeed for extended periods he survived on little more than 'underground mutton' (rabbit meat). He demonstrated at the time an enormous capacity for hard work and a determination for self-improvement, characteristics that remained with him all his life. It was a logical step from self-improvement to nation building. At first in Commerce and Agriculture and then in Trade, McEwen was determined to build export industries and production for domestic purposes. He shared with many of his contemporaries a suspicion of uncontrolled markets and of the financial system. Nation building was a way of 'proofing' the nation against a repetition of the devastation and humiliation of the economic collapse of the 1930s.

At a personal level McEwen was tall and large-framed, well spoken despite a lack of formal education, dour, and uncompromising, with an impressive capacity to go directly to the heart of an issue or argument. He was skilled at deflecting criticism by conjuring an air of injured innocence. Menzies coined the nickname 'Black Jack', a tag that captured an intangible quality of the man. The appointment as minister for trade presented McEwen with his greatest opportunity to build the national economy. Peter Golding, McEwen's biographer, described his subject's mission at this time as 'building

an empire in trade'.⁵ It is an apt description. This chapter and the following one detail the empire-building process as reflected in the expansion of the trade commissioner service. Indeed, the trade commissioners became members of McEwen's personal foreign service. At airports around the world he brushed aside high commissioners and ambassadors and headed straight for the welcoming trade commissioner. It is no wonder that friction between External Affairs and Trade continued unabated.

It might be appropriate at this point to add an addendum on the functional relationship between Trade and Primary Industry. McEwen's original design was that Trade would take responsibility for the statutory boards that were responsible for the marketing of primary commodities and that, in some cases, were involved in international agreements. Further thought produced a revised view: if Trade assumed responsibility for marketing boards, Trade would be overloaded, leaving little real scope for Primary Industry. The upshot was a compromise: Trade would retain policy responsibility for primary commodity marketing but would transfer administration of the boards to Primary Industry.⁶ Because of the degree of overlap in responsibility between the two departments, it was necessary for the respective ministers to cooperate closely. In view of the antagonism that developed between the two men a decade later, it is interesting

to note that McEwen was supportive of the choice of McMahan as minister for primary industry and that, between 1956 and 1958, McEwen was comfortable with McMahan as acting minister for trade during the senior man's frequent overseas visits.

*Trade
Commissioner,
R. T. Rose (C)
and Minister
for Trade
J. McEwen (R)
with the Prime
Minister of
India, Pandit
Jawaharlal
Nehru,
Bombay, 1956.*
[DEPARTMENT OF
FOREIGN AFFAIRS
AND TRADE]



Increasing the tempo

We have noted in the previous chapter that the mid-1950s marked a turning point in Australia's external trading relationships. The bulk purchase agreements that secured markets for many of Australia's commodity exports had been terminated. Competition in a number of leading exports had intensified as reconstruction in Europe was nearing completion, and subsidies began to be used to support the disposal of surplus production. The significance of the inauguration of the European Economic Community (EEC) by the Treaty of Rome in 1956 was not yet clear, but the enlargement

of the European customs union did not augur well for market access. Of even more concern was the expectation in 1960 that the United Kingdom would seek membership of the EEC. In short, concern about the declining terms of trade and access to traditional markets dominated the relatively short period (1956–1960) discussed in this chapter.

Almost immediately the Department of Trade swung into action, one can detect a change in the intensity with which matters were pursued. There was no basic change in policy. Tariff protection and import restrictions continued to be fundamental. Export policy relied, as before, on trade agreements, trade missions and trade publicity supported by the trade commissioner service. Indeed, the service was now regarded as the linchpin of export promotion. There were several initiatives, represented by the establishment of EPIC in 1956 and the granting of payroll concessions for exporters in 1958. But the intensity of effort was palpable. Gone were the long delays in making decisions and in seeking approval for travel and conditions of service for trade commissioners. There was still some way to go, but there began to emerge a higher level of professionalism in the management of trade promotion. There was greater awareness of the personal and financial costs of overseas service, particularly in developing countries, and an increasing recognition that families required special support. Those recruited at the time were generally younger than the post-war appointees and had received more formal education, although pre-service training remained informal: most training was on the job.

‘Intensification’ is the most appropriate word to use to describe the development of the trade commissioner service in the second half of the 1950s. The emphasis was on strengthening existing posts rather than establishing new ones. This was a sensible decision. Many posts were overstretched in the early 1950s, both in the level of staffing and in the territory nominally allocated. Assistant trade commissioners were added to most posts that were without them before 1956. The number of trade commissioners and assistant trade commissioners increased to around seventy, located in twenty-three countries. Seven new posts were established in the period, as set out in Table 6.2; the Cairo post was reopened in 1960. The emphasis was on strengthening the network of posts in the East, in central Africa and, to a lesser extent, in the United States and northern Europe. The way these new posts fitted into the overall strategy will be discussed in the sections that follow.

Table 6.2 Trade commissioner posts opened and appointees, 1956–1960

City	Date established	Appointee	Appointment dates
Manila	1956	E.E. Jarvis	1956–1959
Kuala Lumpur	1957	W.D. Cairns	1957–1961
Bangkok	1958	L.C. Holmes	1959–1961
Stockholm	1958	W.R. Carney	1958–1962
Chicago	1959	E.E. Jarvis	1960–1962
Accra	1959	D.R. Cristofani	1959–1961
Nairobi	1960	G.W.S. Temby	1960–1962

An innovation at this time was the decision to appoint ‘trade correspondents’. In areas where trade prospects appeared promising but did not justify the establishment of a trade post, local residents, preferably Australian citizens, were appointed on a part-time basis and paid an honorarium to provide information on trade patterns and prospects—a form of advance intelligence. They were responsible to the trade commissioner who had overall responsibility for the region. Often the local Qantas representative was a suitable appointee. The first trade correspondents were appointed in Mexico, Honolulu, Fiji, Mauritius and Taiwan. This was a sensible and low-cost way of extending the ‘reach’ of trade commissioners and reducing the amount of travel required of some.

A clearer indication of the extent to which the tempo was increased is provided by the growth in expenditure on trade promotion. Table 6.3 sets out spending in four categories of trade promotion in the late 1950s. It is worth noting that, given that inflation in Australia was about 3 per cent per annum in these years, the numbers are not seriously affected by cost increases. The substantial increase in expenditure on trade publicity reflected the growing concern about the loss of market share in the United Kingdom and the belief that Australian exports, apart from the traditional staples, were largely invisible in international markets.

Treasury grumbled about the rate of growth in expenditure, but there was no major onslaught. This was because Treasury accepted that the external payments deficit was a serious problem, and export promotion was almost the only tool of policy that was available. Further, McEwen was always willing to assert his growing political authority. In any case, expenditure at around £1 million per annum represented only 0.1 per cent of total Commonwealth government outlays in the late 1950s.

Table 6.3 Trade promotion expenditure, 1955/56 to 1959/60 (£'000)

Year	Trade Commissioner Service	Trade publicity— United Kingdom	Trade publicity —Other	Trade missions (Commonwealth expenditure)
1955/56	469	88	52	1
1956/57	512	240	80	5
1957/58	562	330	103	3
1958/59	650	390	147	11
1959/60	754	396	256	44

Source: Cabinet submission 243 relating to overseas export trade promotion, August 1959, NAA: A4940, C2750.

Developments in Europe required refinement in the relations between External Affairs and Trade in the late 1950s. The emergence of the EEC and the agricultural protection inherent in the common agricultural policy called for the repositioning of Australian representation abroad. Crawford expressed the Trade position succinctly:

We are presently actively engaged in a program which we hope will develop a Trade Commissioner Service of a balanced nature in which we have adequate numbers of skilled personnel who can handle the work of export development as well as officers who can handle the more specialised policy work of the type now handled in places like Bonn, Rome and Paris.⁷

This sounded alarm bells in External Affairs, which was, understandably, determined to maintain the primary role of the diplomat as head of mission. Political, economic and commercial issues, however, were becoming increasingly entwined, and there was bound to be uncertainty about demarcation lines. For his part Crawford was determined to avoid restricting the role of the trade commissioners to the narrow role of selling:

It is ... important to stress at this point that this Department does not adopt the relatively narrow definition of a Trade Commissioner which appears to be in your mind, i.e. solely concerned with sales promotion. In fact, a Trade Commissioner's work must be related to the type of trading conditions operating in the posts to which he is accredited.⁸

In these changing circumstances, George Warwick Smith, first assistant secretary in Trade, had been dispatched to London in 1958 as special commercial advisor to the high commissioner, with broad responsibility for

the coordination of commercial policy in Europe. Similarly, Allan Fleming, a senior public servant in the Department of Defence, was appointed as trade commissioner in Paris in 1959 for the purpose of policy engagement with the EEC. This presaged the making of a senior appointment at EEC headquarters in Brussels. For similar reasons, a senior appointment was made to Bonn in 1958 in the person of R. Keith Scott. Elsewhere, too, changes were made to upgrade the capacity of trade commissioners to advise on and influence commercial policy in the host country. We have noted creation of the post in New Delhi in 1957 for this purpose, and the Washington post was strengthened for the same reason.

It is understandable that External Affairs should be sensitive about these developments. Outside a small number of posts such as London, Washington, Tokyo and possibly Wellington, trade and commerce were at the heart of Australia's relationships with other countries. Heads of mission were expected to be responsible for policy matters and high-level relationships with governments of other countries, but this could be diminished by the Trade initiative. Diplomats complained that in some cases they were not kept adequately informed, and, on occasions, there was veracity in these complaints. From the point of view of Trade, there were reservations about the willingness and ability of some ambassadors to handle detailed commercial negotiations. For example, Walter Crocker (later Sir Walter), at the time high commissioner in India and a persistent critic of the value of the trade commissioner service, complained that he was obliged to visit the Indian minister of railways to deal with a matter relating to Australian railway sleepers!⁹ The broader concern of External Affairs was the growing influence of Trade at a time when the former lacked the assertiveness in Cabinet of Evatt and Spender.

In these circumstances the only immediate solution was a recommitment to cooperation and collaboration. Sir John Crawford had no difficulty in acknowledging the clear position that trade commissioners were members of the staff of the heads of mission and as such, 'with a normal amount of two-way co-operation, and were expected to be good team men'.¹⁰ The clear emphasis was on 'two-way' cooperation. While heads of mission were in charge, Crawford implied that reliance on authority would not be sufficient.

It is interesting to note that, in a memoir written in the 1970s, one trade commissioner, Keith Cook, ventured that it would have been preferable for Australia to have had a unified overseas service along the lines of the Canadian service. Cook had been a commissioner in Rome, London and New York, as well as a senior Trade official. The argument was that commissioners should have had the opportunity to rise to ambassadorial rank, and that a combined service would have reduced the irritations and dissonance of a divided service.¹¹

Alan Westerman was unimpressed by this line of argument, no doubt because such a move might have blunted the emphasis on export promotion. It is also worthy of note that, from the 1970s, a number of trade commissioners achieved ambassadorial rank, and that during the Whitlam government and beyond the division between the two main overseas services became a major policy issue.

There is no doubt that the combination of the formation of the Department of Trade and the drive for greater exports boosted the trade commissioner service. The department itself gained from having an international commercial arm that could inform policy analysis; many members of the department were able, as trade commissioners, to gain direct experience of commercial activity that enriched their consideration of policy. With John Crawford



J.G. (later Sir John) Crawford, Secretary of the Department of Trade, 1956–1960. [NATIONAL ARCHIVES OF AUSTRALIA]

as head of department and Eric McClintock as first assistant secretary with direct responsibility for the service, trade commissioners—especially on their return to Canberra—were used as a valuable resource in the formulation of trade policy. In the late 1950s the department was still small enough for the commissioners to feel valued and reasonably well supported.

It is true, particularly as time passed and as the policy emphasis of the department increased, that commissioners were less well regarded by some. They were at the applied end of the spectrum and, in this view, ranked with travelling salesmen. Further, as the department grew in size in the 1960s, and their own numbers expanded rapidly, there was less time for detailed debriefings and less scope for interaction with Canberra-based officials. This is a theme that will be explored in Chapter 7.

Europe

Australian exports to Europe were under pressure throughout the 1950s, particularly in the second half of the decade. Table 6.4 sets out the value of exports of goods and services to the United Kingdom and the EEC during the decade, and the proportion of total Australian exports they represented. The decline in the value of exports to both regions is exaggerated by the high price of wool in 1950/51, which inflated receipts and therefore exaggerated the downward trend. However, the pattern is clear and was most disconcerting. Leaving aside the trend, however, the United Kingdom and the EEC still accounted for almost one-half of Australian exports in the late 1950s. Despite the barriers that were being erected by the EEC, these markets deserved the most strenuous attention.

Table 6.4 Exports of goods and services to the United Kingdom and the EEC, value and proportions, 1950/51 to 1959/60

Year	Exports to UK		Exports to EEC	
	£m	Per cent of total exports	£m	Per cent of total exports
1950/51	341	32.7	239	22.9
1951/52	229	30.9	167	22.6
1952/53	381	41.2	194	21.2
1953/54	324	36.3	206	23.1
1954/55	314	36.9	186	21.9
1955/56	285	32.9	189	21.8
1956/57	305	27.9	257	23.5
1957/58	249	27.1	205	22.3
1958/59	293	31.7	160	17.3
1959/60	282	26.3	200	18.7

Note: EEC includes Belgium, France, West Germany, Italy, Luxembourg and the Netherlands.

Source: Norton and Alymer, *Australian Economic Statistics: Tables*, Table 1.10; and Pinkstone, *Global Connections*, Table 54.

The strategy adopted at the time was to make every effort to shore up the United Kingdom market, and tentatively to explore the potential of the Soviet bloc. The emphasis of policy was on strengthening existing trade posts rather than on creating new ones. As has been noted, Stockholm was the

only new European post established at the time, and this was for a particular reason. Scandinavia was not a large importer from Australia, and a trade post was probably not justified on the potential of exports to Nordic countries alone. But Sweden, in particular, was a possible bridgehead to Eastern Europe. Stockholm was host to a significant Soviet mission, and the reasoning was that, at this high point in the Cold War, careful commercial diplomacy might lead to trade opportunities east of the Elbe. This will be discussed in greater detail shortly.

The trade office in London continued to be by far the largest post in Europe, with a responsibility for broad overview of Europe as a whole. By the late 1950s the office comprised a senior trade commissioner, trade commissioner, assistant trade commissioner, two trade relations officers, publicity officer, a special commercial advisor and a number of specialist appointees, funded from separate sources, such as fruit officer, a veterinary officer, dairy officers and an agricultural officer. In addition, there were six locally engaged staff. The post was still struggling, however, to escape the routine associated with long-term supply contracts of the post-war period and the degree of shelter these conferred on Australian exports to the United Kingdom. Philip Searcy arrived in London as senior trade commissioner, replacing George Patterson early in 1959, and immediately set about reviewing the performance of the office. Searcy was an experienced commissioner, having served previously in Calcutta and Singapore. His assessment was that the commissioners had found increasing difficulty in 'building and maintaining close liaison with UK trade interests both in London and the provincial centres'

because of the 'pressure of office work which prevents officers from disentangling themselves from the paperwork required of them'. Even more concerning was the judgment that 'Trade Commissioners are inadequately informed of current thought and practice in the U.K. trade for most of Australia's major export products'.¹²

Disappointingly, the advice was that additional administrative staff would relieve the bottleneck. What was required was more radical: significant cultural and organisational change, with a focus on traditional out-of-office cultivation of trade prospects. Without such a shift the substantial and growing expenditure



P.R. Searcy, Senior Trade Commissioner, London (2nd L.) with Jack Brabham (R), during an around-Britain car tour to promote Australian canned fruits, 1962

[DEPARTMENT OF FOREIGN AFFAIRS AND TRADE]

on trade publicity in the United Kingdom could not be fully effective. The underlying difficulty was that the London office was locked into administrative tasks associated with commodity boards, international agreements, the GATT and the European Free Trade Area; it would have required considerable political will and leadership to break free from the past and from the administrative routine created by the growing number of international obligations.

As noted earlier, George Warwick Smith had been appointed special commercial advisor in London in 1958 as a way of replacing the expertise of Sir Edwin McCarthy, who had completed his term as deputy high commissioner.¹³ Warwick Smith noted, in a further overview of the London post early in 1960, that the senior trade commissioner had made progress in stepping up contacts with leading importers by means of a regular round of meetings; full-scale surveys of items such as canned fruit, jams, leather and tallow, among others, had been initiated. He indicated that it would be necessary, nevertheless, 'to seek to increase the *effectiveness* of Trade Commissioner activities in assisting Australian traders to increase their markets in the United Kingdom or their returns from the market' (italics in original).¹⁴ But he also noted that it was often a matter of exporters holding on to markets in the United Kingdom in

the face of aggressive competition. Warwick Smith also thought that additional staff were justified, but refrained from recommending any increase because of the high commissioner's desire to avoid further aggravation of the cramped conditions in Australia House. On the trade front the years immediately ahead proved to be especially

*Signing of
a Honey
Agreement,
Australia House,
London, 1963.
Australian Trade
Commissioner
(Agriculture),
A.G. Bollen,
is seated (C)
with Trade
Commissioner
K.H. Jarvie
behind (R).
[DEPARTMENT OF
FOREIGN AFFAIRS
AND TRADE]*



difficult, with Australia's share of the United Kingdom market falling even more sharply, so much so that Japan replaced the United Kingdom as Australia's most important export market in 1967.

Australia's export trade performance with the European continent was also a matter of concern. The best that can be said about the performance, as presented in Table 6.4, is that it was flat. This was in spite of the rapid

recovery of most European economies in the 1950s. Exports were dominated by wool to an even greater extent than in the United Kingdom. Hopes for a broader export base were severely dented by the agricultural protectionism of the EEC.

The challenge of exports to Europe was the subject of detailed consideration by Peter Lawler of the Prime Minister's Department. The problem was easy to identify: the dominance of wool and sheepskins to the extent that these products comprised around 90 per cent of total exports to France and Italy and almost as much to the Benelux countries and West Germany. Australia was fortunate in one sense: wool was an essential industrial raw material for the fashion and fabric industries of both France and Italy. Thus, retaliation against Australia's favourable trade balance with these two countries—and there was constant thumping of tables about the lack of bilateral balance—would have been counterproductive.

After an analysis of the composition of exports and a comparison with Canadian and United States exports to Europe, Lawler concluded that Australia could do much better in exports of fresh fruit, cereals and meat, copper and other metals.¹⁵ The reason for the sluggish performance of non-wool exports was not entirely clear, but appeared to be relatively poor trade representation in Europe, the lack of trade publicity and promotion, and perhaps high costs of production. In a later note, Lawler complained that less than 10 per cent of total expenditure on the trade commissioner service was devoted to the European continent—a region responsible for 30 to 40 per cent of world trade. A strengthening of trade posts, rather than a multiplication of them, was the preferred course of action.¹⁶ In 1956 there were no assistant commissioners in Paris, Rome or Bonn, although the appointment of an assistant in Paris was made in 1957. The allocation of trade publicity to the continent was also meagre.

The underlying problem was deep-seated. The United Kingdom continued to be the focus of attention of both trade officials and businessmen. It continued to be assumed that the London-based trade office was the powerhouse of trade



Trade Commissioner, D.R. Cristofani (L rear) and S.J. Maliphant, Director of Trade Promotion, Department of Trade and Industry (2nd R) watch as the leader of an Australian manufacturers' trade mission to the United Kingdom meets representatives of the Confederation of British Industry, 1967.
[AUSTRADE]

promotion in Europe as a whole. There were also fundamental traditional, cultural and linguistic reasons pulling in this direction. Australian business representatives visited London in droves, and contributed materially to the overloading of that office. The Paris office received a reasonable number of Australian visitors, but few ventured further a field. In short, Australia was not well known as an exporter beyond a limited circle. To all intents and purposes, wool sold itself.

The response to this underlying problem was muted. A bilateral trade agreement was negotiated with West Germany in October 1959 that provided for annual negotiation of quotas for certain Australian exports such as wheat, coarse grains and pome fruit. Agreements with other European countries were explored but not consummated at this time. Special purpose flour agreements were negotiated with France and West Germany. The thrust of these agreements was defensive. The intention was to limit French and West German flour exports to traditional Australian markets in South-East Asia to a 'reasonable figure', to avoid 'concentration of exports in any single market' and to consult if difficulties arose. As we have noted, there was limited strengthening of the trade commissioner service. But it is notable that, of the many trade missions and trade ships sent in the 1950s to explore new markets, none were destined for Western Europe.

In 1956 John McEwen made an exploratory visit to Poland and Czechoslovakia. This was an early step towards testing trade opportunities with

Soviet bloc countries. The Australian government was emboldened by two British initiatives: the visit by British businessmen to Moscow in 1954 and the declaration by the British prime minister, Sir Winston Churchill, that trade through the Iron Curtain would enhance the chances of peaceful coexistence.

Creating a bridge to the Soviet bloc was one reason for the opening of a trade post

Senior Trade Commissioner F.R. Gullick (R) shows King Gustav VI Adolf of Sweden a cake made with Australian dried fruits, Trade Fair, Stockholm, 1964. [DAGENS BILD SWEDEN]



in Stockholm. Vienna was considered as a possibility, but the dice rolled in Stockholm's favour. The Australian diplomatic mission to the Soviet Union was withdrawn in 1954 and there was no immediate prospect of it being reopened in Moscow or elsewhere in the Communist East. Sweden hosted a large Soviet trade mission, and Swedish neutrality facilitated contact between East and West. Cabinet agreement to establish a post in Stockholm was secured in 1957 on the understanding that the cost of the post would be covered by making budgetary savings elsewhere. In other words, the post was not considered to be mainstream.

Stockholm was opened at the end of 1958 with Bill Carney as trade commissioner and Allan Slater as assistant. Carney was a long-serving member of the Department of Trade and its predecessor and had served as assistant in India and New Zealand. It appears that there had not been close consultation between External Affairs and Trade about the establishment of an Australian mission in Sweden, and the trade post was, in fact, created well ahead of the decision to appoint an ambassador to Sweden. As we have seen, it was not unusual for the trade commissioner service to pioneer overseas representation but, on this occasion, the outcome was embarrassment for both the commissioner and the Swedish authorities. Swedish trade commissioners represented their chamber of commerce and were not accredited by the government. In line with the strict Swedish adherence to protocol, it was not possible for the Swedish government to grant Carney official recognition. Carney recalled his predicament in a memoir:

The Swedes ... have a procedure and a protocol for practically everything and while this helps people at times because they know what is coming next whether it be the opening of parliament or a dinner party, the stolidness and lack of flexibility ceases to be amusing at times and becomes intensely irritating. We were certainly irritated, but to no avail, and the Australian government and the Trade Commissioners got no exemptions whatsoever from any taxes and we operated on the same basis as if we were a private foreign business.¹⁷

External Affairs was not ready to establish an ambassadorial mission in Sweden despite heavy pressure from McEwen.¹⁸ The department had its own reasons for not wishing to accelerate the establishment of a new diplomatic post but was also inclined to put sand in the gears of Trade's ambition. The essential issue was the extent to which trade commissioners should be involved in direct negotiations with foreign governments. External Affairs regarded government-to-government negotiation as its exclusive responsibility and thought that

Trade should confine itself to a narrow interpretation of trade promotion. McEwen thundered that such a view was unrealistic and impractical:

I think some confusion may have arisen by differing concepts of what is involved in trade promotion work. It is no longer possible to regard such work merely as the introduction of the buyer to the seller and the provision of some assistance in sales promotion. Unfortunately, it is necessary today to regard trade promotion and trade development work as involving extensive negotiation with Governments which often control the import, etc. policies which determine the access of Australian products to their markets; contact with Ministers to enable the post to report on developments in agricultural production or international trade policies likely to affect our interests ... A trade post is expected to be fully effective in such work, as well as the more direct trade development work normally referred to as trade promotion.¹⁹

It took time for any resolution to be achieved. Eventually, in 1961, Carney was accorded the diplomatic title *chargé d'affaires* and this was sufficient for the Swedes. The source of embarrassment was removed and Carney found himself responsible for a relatively large staff, most of whom were immigration officers servicing northern Europe.

A trade mission to Poland and Czechoslovakia was launched in March 1959, soon after the Stockholm post was opened. The group of four comprised representatives of the Australian Wheat Board, the Australian Meat Board and the Australian Dairy Board, supported by Carney, the composition indicating the main products to be promoted. The mission encountered the negotiating tactics that were to handicap trade with the Soviet bloc until after the fall of

*Trade
Commissioner
E.D. 'Mick'
Letts (R) with a
meat industry
delegation in
Sweden, 1966.
[MICK LETTS]*



communism. Czechoslovakia purchased substantial quantities of Australian wool at a rate of around £7 million per annum, but was not in a position to broaden the range of imports unless the unequal trade balance with Australia was reduced. In the case of wheat, Czechoslovakia and Poland were tied to the Soviet Union and, in the case of dairy products, Poland was a net exporter and Czechoslovakia was substantially self-sufficient. Both countries were interested in Australian meat for manufacturing (smallgoods), but deals could not readily be closed because of complications in obtaining approval from the relevant authorities.²⁰

As a follow up, an Australian exhibition was organised for the international fair at Poznan, Poland, in June 1959. The result was extremely disappointing. Carney recalled that the fair was well attended but that the Australian stand received no inquiries.

We finally selected one product which we knew we could sell, namely tannin extract, and we would make it a test case. I told the Poles that if we did not sell something at this fair we would not be back again and I pointed out that our tannin extract was something they needed and was not all that expensive. But they did not buy it and we simply withdrew from the fair.²¹

This result was not surprising in view of the run-down state of the Polish economy, and the exercise was a salutary first lesson in the difficulties of commercial engagement with the Soviet satellites. With the advantage of hindsight an initial exploration of these markets by the trade commissioner might have saved time and prepared the ground for the complicated task of state trading with communist countries. As we shall see, the Department of Trade persisted and the effort was eventually rewarded.

On the whole the early years in Scandinavia produced limited results. The only real breakthroughs were in introducing Australian wheat to Norway and Australian meat to Sweden. Over time, however, trade with Scandinavia broadened and the post at Stockholm continued to play an important part in the development of Australian exports to northern Europe.

Asia

By the second half of the 1950s Australian exports to Asia were gathering momentum, due largely to the growth of trade with Japan. Thanks in part to the commerce agreement between Australia and Japan of 1957, and to the spirit of cooperation between the two countries, by 1960 Japan was on the cusp of replacing the EEC as Australia's second most important trading partner. Mainland China, the then politically correct description of the People's Republic, was also in the early stages of its development as a major market.

Exports to other parts of the region also grew steadily, although there were spots of disappointment. India continued to perform well below its potential, and exports to Indonesia fell heavily. Singapore, Malaysia and Hong Kong were encouraging. Overall Asia absorbed almost one-quarter of total Australian exports in 1960 compared with 10 per cent in 1950. The growth of trade with Asia was essential to counterbalance the relative decline in exports to Europe and the United States. Additions to the trade commissioner service in Asia were designed to continue the search for new markets and to maintain momentum in the region.

The export promotion strategy for the region focused on most of the standard instruments: the negotiation of most-favoured-nation agreements with as many countries as possible, the dispatch of trade missions and a trade ship, and strengthening of the trade commissioner service. Trade publicity, however, was not given the same emphasis as in the United Kingdom, Europe or North America, probably because of linguistic and cultural barriers to the use of the standard techniques of publicity.

As indicated in Table 6.2, new trade posts were opened in Manila, Kuala Lumpur and Bangkok. Approval for the establishment of a post in Manila had been secured as early as 1946, but the opening had been delayed for a decade because the Philippines effectively was part of the commercial network of the United States. Since 1909 American goods received free entry into the Philippines. After 1954, however, the level of preference was reduced and it was possible for Australian goods to find a market in the Philippines so long as these items enjoyed a clear comparative advantage. Trade with the Philippines was also inhibited for a decade after the war because the country was part of the dollar area.

We have noted previously that before the Manila post was opened the Philippines was part of the parish of the Hong Kong trade commissioner, who prepared the ground by making regular visits to the country in the early 1950s. Hugh Wrigley paid several visits, as did Harry Menzies. Although the value of exports was modest in 1954/55, amounting to £1.7 million, there were opportunities in a range of foodstuffs such as frozen meat, flour, dairy products and live cattle. By 1959/60 the value of exports increased to £4.9 million, although the trade position was unstable. Further, a thicket of government regulations and corruption kept trade commissioners and exporters in a state of constant vigilance.

Harry Menzies, during one of his visits to Manila, described a ticklish situation that he and the Australian minister, Keith 'Mick' Shann, faced when they were advancing the case for the export of Australian live cattle. Menzies recalled that:

[We] were having problems with import of live cattle and there was a considerable lobby opposed to the import of live cattle because they were importing frozen meat. The Filipinos preferred live cattle because they preferred fresh meat to frozen meat ...

[We] went down to the Ministry and were ushered into the Minister's presence which was a room, I think, about 50 feet long and thirty feet wide, and in the middle of it were two large tables set in T-shape, and at the head of the 'T' there was the Minister for Agriculture and his offsiders and ... [around] the rest of the table, were anything up to twenty or thirty people who, it transpired later, were professors from universities and academics and agricultural economists and other people with whom the Minister was having a conference. Nothing daunted, he welcomed us with great warmth, pressing cigars and Coca Cola upon us, and asked us to sit down and state our case. Well, we thought this was a little bit odd, because, in addition to the people sitting around the table there were, ranged around the room on chairs, anything up to forty or fifty people, including women suckling babies, photographers, and a real miscellany [of others]. The Minister thanked us very much for coming and out we went after about twenty minutes perhaps, or less. The people sitting around the room were interested to a degree but there was one group which was particularly interested and which my eyes fell on as I left, and I said to Mick Shann 'Do you know who they are?' and Mick said 'No'. I said 'The[y]'re the frozen beef lobby who have been listening very attentively to everything we've had to say.²²

Many trade commissioners had experiences such as this, especially in developing countries where ideas of due process and conflicts of interest were unformed.

Keith Le Rossignol, who served briefly in an acting capacity, opened the post in Manila in 1956. Edmund Jarvis replaced him later in the year as the substantive commissioner. Jarvis, an engineer by training, was a Western Australian Rhodes scholar who was recruited from the private sector and who had commercial experience in Singapore. He had also served as assistant commissioner in South Africa and Pakistan.

It is clear that the appointment of a trade commissioner in the Philippines made a difference. He was assisted in his task by the gradual reduction in preference for American imports, and the easing of the shortage of dollars. By comparison with many new markets, the Philippines made a positive contribution in the difficult trading conditions of the second half of the 1950s.

Thailand in the mid-1950s was a predominantly agricultural country with a relatively low level of urbanisation. The value of Australian exports to Thailand was less than £2 million annually. As in a number of other instances, a trade office was established in Bangkok in mid-1958 partly to take advantage of any opportunities presented in a large country, and partly to relieve the Singapore office—responsible for Thailand as well as for the Malay Peninsula before 1958—of an excessive workload. On the closure of the office in Rangoon, Leslie Holmes was appointed trade commissioner. Some years would pass, however, before Australia and Thailand were able to develop trade relations of quantitative significance.

Trade prospects were more immediately promising in Singapore and the greater Malay Peninsula. By the mid-1950s Singapore had established itself as an important destination for Australian exports and as a focal point for Australian interests in South-East Asia. Annual exports amounted to £12 million to £14 million, covering a range of consumer goods such as wheat and flour, meat, live sheep, dairy products, milk powder and fresh vegetables in season. The trade commissioner, designated commercial counsellor, was the head of mission because it was not judged appropriate to appoint a diplomat to head a mission in a British colony.

The decision by Britain to relinquish control in Malaya in August 1957 was the trigger for the opening of a trade post in Kuala Lumpur. Bill Cairns was appointed trade commissioner, his first posting, after a career as a public servant in Commerce and Agriculture and in Trade. Commercial prospects were encouraging. The government of Tunku Abdul Rahman was intent on improving living standards, and the relatively rich mining and plantation economy offered the means of achieving the objective. Exports to the federation amounted to around £12 million annually in the late 1950s, and the range of exports was comparable with those to Singapore. Malaysia continued to be a moderate-growth market for an extended period and, with Singapore and Hong Kong, one of the most promising markets in South-East Asia.

As we have seen in other contexts, trade commissioners were often required to defend existing markets as well as to search for new ones and to expand established markets. This was clearly the case with Indonesia in the late 1950s.

As noted in Chapter 5, Indonesia was a valuable market—particularly for flour—in the post-war decade, but the trade was under threat in the final years of the 1950s. There were several reasons. Indonesia entered a difficult political and economic phase as General Sukarno imposed ‘guided democracy’ and open rebellion broke out in parts of the country, Dutch enterprises were seized, inflation gathered momentum and the economy plunged into external

deficit. At the same time, subsidised flour from France captured a significant proportion of the traditional Australian market, a tactic that also impacted on flour exports to Ceylon. Australian exports to Indonesia collapsed from around £7 million in the mid-1950s to £2 million to £3 million at the end of the decade.

Duncan McPhee was the trade commissioner in Jakarta at the time, his first assignment before being posted to Bombay. He soon became immersed in the information treadmill—‘gossip’ might be more accurate—of Indonesian commerce. Shortly after his arrival a Chinese importer, one of his ‘co-operative informants’, told McPhee that Indonesia had signed a contract with French suppliers for 60,000 tons of wheat flour. A flurry of cables passed between Jakarta and Canberra and a delegation was promptly dispatched that included Richard Minifie of the Council of Flour Mill-Owners of Australia, Len Dorman of the Australian Wheat Board and Eric McClintock of the Trade Commissioner Service. Daily conferences with the Indonesians ensued but, in McPhee’s words, ‘we did not recover one ton of flour’. On the departure of the delegation McPhee records that he received:

the accolade from Eric McClintock, who remarked: ‘You will be remembered Mac as the T.C. who lost the Indonesian flour trade, but do not assume all the credit, for you had a high powered delegation to assist you in losing it.’²³

One consequence was that Australia redoubled its effort to secure a trade agreement with Indonesia that would, hopefully, avoid such opportunistic trade deals in future and obtain a commitment for Indonesia to import a minimum amount of Australian flour. The last point was important because, without such a commitment, it would be difficult to maintain the specialised shipping link between the two countries. Negotiations for a trade agreement commenced in 1957 but were postponed because of the reluctance of Indonesia to make specific commitments—and probably because Australia pressed too strenuously for such commitments. Negotiations were resumed in 1959 and agreement was achieved. The most important outcome from the Australian point of view was an exchange of letters, parallel with the agreement, that recognised that Australia was the traditional source of supply of 90 per cent of Indonesian wheat imports, representing 100,000 tons per annum. In view of the exchange difficulties being experienced by Indonesia, the expectation was that 80,000 tons of flour would be purchased from Australia, with the provision that consultation would occur if the target could not be achieved. The formal trade agreement was couched in general terms and included recognition of the importance of removing obstacles to trade, an undertaking that exports to Indonesia would be protected from unfair competition, and the establishment

of mechanisms of consultation to resolve trade problems.²⁴ The agreement reflected acceptance of the importance attached by both countries to bilateral trade between them. Initially, the agreement was for a period of one year, but it was renewed annually until the early 1970s, when a more comprehensive treaty was negotiated.

Reflecting the continuing priority given to Asia, a series of trade missions was undertaken to the region in the late 1950s. The characteristic of these missions was that private-sector participants paid their own costs and the government met general expenses. In April 1958, the parliamentary secretary to the minister for trade, Reginald Schwartz, led a mission of twenty manufacturers, bankers and commercial people to Singapore, Thailand and Malaya. A more ambitious mission was undertaken in October–November 1958 aboard the MV Delos, destined for major ports—including Manila, Hong Kong, Shanghai—as well as Japanese ports and Borneo. Some ninety manufacturers were represented; they displayed a wide range of products, ranging from earth-moving and mining equipment as well as hardware, wool and foodstuffs. There was an inclination to declare all these missions ‘highly successful’, and they certainly attracted a good deal of interest. The longer-



Trade Commissioner's Conference, Kuala Lumpur, 1959.

L–R: Front: F.J. O'Brien, J.L. Chapman, E.P. McClintock (Chairman), L.C. Holmes, W.D. Cairns, F.V. Street

Middle: D.L. Crawford, J.S. Nicholls, D.R. McPhee, F.R. Gullick, G.R.B. Patterson

Back: R.W. Holberton, T.W. Collis, M.F. Roberts, R.B. Hines, A.C. Wood, D.M. Gibbons
 [DEPARTMENT OF FOREIGN AFFAIRS AND TRADE]

term impact of such missions is more difficult to assess. Whatever the impact on trade development, missions were valuable in exposing exporters to wide-ranging differences in overseas markets: missions were an essential part of the learning process.

Changing direction slightly, we should note that a regional conference of trade commissioners for Asia was held in Kuala Lumpur in July 1959. Informal meetings of trade commissioners for a particular region had been held before, notably in London, but this was the first occasion that a large formal meeting had been held under the auspices of the Department of Trade. The meeting was chaired by Eric McClintock and was attended by the director of the trade commissioner service (Francis Street) and by the director of trade publicity (Austin Wood). All twelve of the trade commissioners located in Asia attended. This was easily the largest regional grouping of commissioners. The discussion was comprehensive, constructive and occasionally robust. There was a general feeling among commissioners that the expectation by the department of a large increase in exports of manufactures to the region was unduly optimistic, and that it was not appropriate to publicise the availability of Australian steel when other steel products were not readily available. Commissioners stressed the importance of careful selection of agents by Australian exporters, and the prevalence of high freight rates, which tended to inhibit export development. There remained a general feeling of dissatisfaction about the administration of the trade commissioner service, and a judgment that the series of inspections of posts—initiated recently—had not always been conducted with sufficient professionalism or sensitivity. The view was also expressed that the department should be equipped with more information about conditions in the various posts. This was an old story, but the greater mobility of senior officers around the region was producing gradual improvement.

In addition to the sharing of information and the encouragement of collegiality, the main outcome of the conference was the recognition that Australian exporters, and indeed the department, had a considerable distance to travel to achieve improved export penetration. There was a need for enhanced and more-targeted publicity, better marketing of products, greater care in the selection of agents, more frequent and less expensive shipping services and, predictably, enhanced support for trade commissioners in the field. It was understandable and predictable that the commissioners should focus on technical issues, but the importance of these issues should not be underestimated.²⁵

It is interesting to note that, in 1960, trade commissioner posts were most numerous in Asia, continuing the pattern established in the 1930s. As set out in Table 6.5, there were thirty-one posts in June 1960 spread over four continents

and New Zealand. One could argue that Asia was overrepresented, with 39 per cent of the posts but only 24 per cent of total exports in 1960, and one could quibble about posts such as Calcutta, Karachi and Manila. But it would be incorrect to suggest that the distribution of posts should have been closely aligned with the current destination of exports. Trade commissioner posts were to a substantial degree developmental. It would also be fair to conclude, however, that the wagering on the future of exports to Asia was much greater than for other regions—as it had been since the 1930s.

Table 6.5 Distribution of trade commissioner posts, June 1960

Location	Number of posts	Proportion (per cent)
Africa	3	10
Asia	12	39
Europe	5	16
North and Central America	8	26
New Zealand	3	10

Note: Statistical discrepancy due to rounding.

Source: *Overseas Trading*, vol. 12, no. 11, June 1960.

North America

The fundamental difficulty for Australian exporters to the United States in the 1950s and early 1960s was that comparative advantage was not a major driver. The United States was a large producer of many of Australia's traditional exports: wheat and flour, beef, sugar, dried and canned fruit, and dairy products. Australia enjoyed a clear advantage only in wool and sheepskins, and metals such as lead. Even then the United States was not a large importer of these items compared with Europe and Japan.

In these circumstances it is not surprising that Australian exports struggled. As a proportion of the total, exports to the United States fell from 10 to 15 per cent in the early 1950s to 6 to 7 per cent in the mid-1950s. The early numbers reflect the high wool prices during the Korean conflict, and the latter were influenced by the recession in the middle years of the decade. Exports to the United States recovered strongly to around 10 per cent of total exports during the boom of 1959–1961, driven again by wool, sheepskins, rabbit skins, nonferrous metals and a small quantum of sugar and beef.

With three trade offices in the United States for most of the 1950s (a fourth was added in 1959), Australian trade represented a small presence in a very large pond. Australia and its products, apart from wool and sheepskins, were

hardly known at all, and then only within the ranks of established importers. The Washington post was primarily concerned with trade policy. In New York there was an increasing emphasis on attracting overseas investment to Australia. There was perhaps a belated recognition that the external deficit could be met in part by an inflow of equity investment in Australia. The post in San Francisco was extremely busy, as were the other two, in assisting Australian business visitors and in supporting export promotion—in this case, in the north-west of the country. But with a small office—there was no assistant commissioner at the time—the commissioner could not meet all the demands placed on him. Southern California could not be supported adequately.

A trade mission to explore trade opportunities was dispatched in May 1959 to the west coasts of Canada and the United States. The mission was led by Geoffrey May, chairman of the Export Development Council and director of the prominent engineering company Biro Swan & Gollin Pty Ltd. The mission was well received and resulted in many business contacts. As a promotional gimmick the mission carried a large number of gold-plated kangaroo pins to present to business contacts. The pins were so popular that the initial 400 pins were supplemented by a further 2,000, and the recipients designated themselves as having joined the ‘kangaroo club’. Less impressive were the display boards of pleated woollen material mounted in the foyers of hotels. They were, according to the official report of the mission, ‘poor in colour and shoddy in appearance’.²⁶

Two main points emerged from the mission. First, Australian business leaders were urged to visit the United States and Canada personally, acquire first-hand knowledge of marketing techniques and develop business contacts. North America was a tough market and it was thought that Australian exporters should spend more time in the two countries exploring opportunities. Second, the San Francisco post should be strengthened and a new post established in Los Angeles. The mission was almost overwhelmed by the rapid growth of southern California in terms of population and manufacturing activity, and Los Angeles was judged to be ‘the most promising area visited’. Members of the mission wrote of new business for crayfish tails, tuna, biscuits and auto electrical fittings, but the primary purpose of the mission was long-term export development.

It might seem quixotic that the next post opened in the United States was Chicago, in 1959. Although trade opportunities were a consideration, the primary purpose of the post was the encouragement of overseas investment. The choice of Chicago was unusual, even speculative, because it was a major commercial rather than a financial centre. Edmund Jarvis, having completed three years in Manila, opened the post but, after three years, it was closed

on the grounds that it had not been successful in attracting either trade or investment. It was reopened in quite different circumstances in 1971.

In the case of Canada the pattern of trade and the work of the trade commissioners had settled into a pattern. Australian exports of dried and canned fruit, sugar and meat were reasonably well established, but this still left a substantial trade deficit. The commissioners in Vancouver, Montreal and Ottawa worked well together in the late 1950s and into the 1960s and they were able to achieve higher levels of market penetration, particularly in deciduous canned fruit. Even in the case of fruit, however, there were hazards in selecting the appropriate text for publicity purposes. Geoff Temby, who served in Montreal in the late 1950s, recalled that on one occasion at the Canadian national exhibition the Australian pavilion included a display of canned and dried fruits under the banner 'All the Fruits of the Earth Come from Australia'. The designers did not know that in Canada the word 'fruits' in the plural was used exclusively as a synonym for homosexuals. The Canadians were greatly amused and took many photographs before the signage was changed.²⁷ No damage was inflicted.

Beyond traditional exports, however, market penetration was difficult. Australian manufactured exports were in direct competition with those from the United States and Europe. Delivery time from Australia was six weeks compared with much shorter time from the major competitors. It was a familiar story.

Africa

The possibilities of Africa continued to exercise a powerful allure in the late 1950s and early 1960s. Australia's interest was heightened by the fact that trade opportunities in many parts of the continent were largely unexplored, and by the large population concentrations of moderate income levels in both West and East Africa. The renewed interest coincided with the rapid subdivision of the continent into independent national states as the colonial powers withdrew or were expelled. External Affairs noted early in 1960 that there were eleven independent nations at the time, but that the number was expected to increase to seventeen in 1961 and perhaps thirty-three in 1965.²⁸ The argument was that Australia would need to define its policy on overseas representation in view of the rapidly developing situation. There were likely to be eight Commonwealth members within a few years, but the establishment of a diplomatic mission in each of these countries—hitherto established policy—could not be justified. Taking into account both political and trade considerations, the External Affairs decision was that Australia should settle on four missions in Africa: the established missions in Egypt (the United Arab Republic, 1960–1972),

South Africa, the relatively new mission in Ghana (Accra), and a mission to be opened in Nigeria (Lagos). Each of these missions was required to support a large number of adjoining countries and territories.

The decision to establish a trade post in Accra, Ghana, was based on the established policy of exploring new markets, particularly in Commonwealth countries. The decision was encouraged by the high commissioner in Ghana, Stewart Jamieson, who argued that there were good opportunities for Australian trade in both Ghana and nearby Nigeria, whose combined population, in excess of 40 million, was growing rapidly. There was also the possibility that these countries would soon impose a boycott on imports from South Africa because of apartheid. Shipping from Australia to the west coast of Africa was an issue, but the high commissioner was hopeful that RIL Shipping Co. would connect Australia and Accra directly if the volume of trade increased sufficiently (instead of the arrangement that involved transshipment at Durban).²⁹

Ghana was a relatively rich country of 6.7 million people in 1960. It was a large exporter of cocoa beans and contained substantial reserves of minerals. Australia's trade deficit with Ghana of almost £2 million per annum was due almost entirely to imports of cocoa. Australian exports to Ghana in 1959/60 were a modest £363,000 composed primarily of meat, wool, butter and metal louvres. While he was assistant trade commissioner in South Africa, Bob Cristofani surveyed trade possibilities in West Africa in 1959 and reported a positive outlook. Cristofani, an international cricketer of note, was subsequently appointed trade commissioner in Accra (post opened September 1960).

Cristofani and his assistant, Peter Horne, almost immediately encountered a number of difficulties of a kind that were to afflict most African posts in the years ahead. Kwame Nkrumah, Ghana's first president, embarked on an ambitious plan to extend government control over the economy. He borrowed heavily abroad, so much so that inflation became rampant and the economy's capacity to import was dissipated. An aspect of government control was that all goods imported into Ghana had to be carried by the Black Star Line, the national shipping company. The clause was often included in letters of credit drawn in favour of Australian exporters. This might have been manageable if the shipping company called at Australian ports, but it did not. Conditions became so unproductive for trade that the West African post was transferred to Lagos, Nigeria, in January 1965. Accra was not reopened as a trade post.

Nigeria was a much larger country of some 55 million people in 1965, but income levels were low and trade prospects were muted. It was predominantly an agricultural country with the beginnings of industrial development around Lagos. Substantial oil and gas reserves had been identified. Peter Horne, as trade commissioner, opened the post at Lagos within days of leaving Accra.

Shortly after arriving, Horne undertook a survey of the country to assess trade possibilities. He has written eloquently of the experience:

We travelled through much of Nigeria staying at old Government Rest Houses originally built to provide accommodation for officials in the colonial administration. Accommodation was generally in semi-detached bungalows providing a bedroom, bathroom, small sitting room and a veranda. A ceiling fan circulated the air and one slept under mosquito nets. The mattresses were kapok-filled resting on boards and to say the least were extremely hard. The pillows were generally ancient and over-filled so they too were rock hard. However, this is all relative and generally one slept well.

Many of these old Rest Houses were run down but the old traditions remained—with tea being provided as soon as one arrived. In the dining room meals were as they had been during the colonial period. Dinner always consisted of five courses: soup, entrée, main course, sweet and cheese. For breakfast, porridge was served—this in the tropics seems a little odd to me!³⁰

Dealing with the Nigerian traders, however, was another matter. A recurring problem was that Australian exporters would ship quantities of merchandise to unknown Nigerian importers without obtaining adequate information. One method used by larger Nigerian operators was to send a large order to an overseas company for a substantial quantity of merchandise. The company receiving the order would respond by insisting on payment by an irrevocable letter of credit. This rarely presented any problem, because there was an abundance of backyard printing firms that, for a fee, would present documents as required. When the ship arrived the trader would clear the goods and then disappear, never to be seen again. In circumstances such as these—there were many in emerging markets—on-the-spot trade representation was absolutely essential.

West Africa turned out to be a deep disappointment. Within a few years civil strife engulfed the post in Lagos. A military coup occurred in Nigeria in 1966, and the following year the country experienced the beginning of what was to be three years of civil war. The post in Lagos was closed in 1967. It was reopened briefly between 1977 and 1979, and then closed again.

British East Africa, north of Rhodesia, was a parallel focus of attention. A trade post was established in Nairobi in 1959 with the intention of exploring trade opportunities in Kenya and in the adjoining British colonies of Uganda and Tanganyika. The post was established before Kenya was granted independence in 1963 and, for a time, the trade commissioner was the sole Australian representative in the country. Uganda was granted independence in 1962 and Tanganyika in 1964. At the time of its independence Tanganyika

combined with the offshore state of Zanzibar to form the United Republic of Tanzania.

The trade commissioner's riding orders were to explore trade opportunities in a region that had not previously received the attention of Australian exporters. Under its president, the redoubtable Jomo Kenyatta, Kenya had ambitious development plans, and there appeared to be reasonable medium-term export opportunities. In 1960 total exports to the three countries amounted to around £1 million, comprising wheat, tallow, firearms and ammunition, and assorted food items. It was thought that, in five years, the market might grow to about £5 million annually and include a range of light manufactures as well as traditional exports.

Geoffrey Temby opened the Nairobi post in 1960 without the support of an assistant. As was so often the case in developmental posts, the task of initiating trade opportunities in three large countries was formidable. It was hard for the commissioner to find time to undertake the market surveys that were part of the standard responsibility



Trade Commissioner J.M. Keddie and Mrs Keddie welcome Kenyan Minister for Justice T. Mboya and Mrs Mboya to an Australia Day Reception, Nairobi, 1964. [DEPARTMENT OF FOREIGN AFFAIRS AND TRADE]

of the role, particularly in new markets. It was made more difficult because the policy of Africanisation and the impact of Mau Mau terrorists had the effect of reducing the size of the European population. Greater reliance on the relatively larger African segment of the market required change in the composition of Australian exports in favour of less expensive items. East Africa was also dangerous. Families were warned against leaving their children at home without European supervision. In 1961 Temby felt compelled to request a small calibre pistol for self-protection. Canberra responded by dispatching a Browning pistol by airfreight.

Nevertheless, Temby and his successor, James Keddie, gave East Africa their best shot. They paid regular visits to Uganda and Tanzania, arranged a large number of agencies for Australian firms, supported a growing number of Australian businesses, produced an East African version of *Austral News*, organised Australian food weeks, and helped organise an Australian trade

exhibition in Nairobi in 1965, in which over a hundred firms participated. Progress was made.³¹ Exports to the three East African countries increased to around £2 million in 1964/65, most of which would not have been achieved without the work of the trade commissioners. But there is no doubt that the going was tough. Agricultural economies with modest income levels were not in a position to provide a large market for Australian exports.³²

With the closure of the trade post in Lagos, the Nairobi post was made responsible for both West and East Africa. Although the Nairobi post was strengthened—a subpost, staffed by a marketing officer along with a secretary, was established in Ndola in Zambia—and a trade correspondent was appointed in Lagos, the extent of the task was challenging. An indication of the travel involved is indicated by the travel plan prepared for the Nairobi trade commissioner and assistant in 1967 and 1968 (Table 6.6). Some relief was provided, however, with the transfer of responsibility for Ethiopia and Somalia to the reopened Cairo post. One can question the effectiveness of such extensive roving commissions, but the philosophy of continuous searching for export opportunities pushed the trade service into ambitious geographic exploration.

Table 6.6 Travel plan for the Nairobi trade commissioner 1967/68

Country	Month	Duration
Zambia	August	10 days
Mombassa	September	5 days
Lagos and Accra	October	15 days
Uganda	November	6 days
Tanzania	February	6 days
Zambia and Malawi	March	10 days
Lagos and Accra	May	10 days
Tour time		62 days

Note: Working days only are included. The visit to Lagos and Accra included a five-day trip to London because most West African trading houses were located in the United Kingdom.

Source: Revision of Post Operations Nairobi, 6 June 1967, NAA: A3120, 60/1/3 part 2.

It will be recalled that the trade post in Cairo was closed in 1956 at the time of the Suez crisis. It was reopened in December 1960 by an experienced commissioner, Leslie Holmes, after an agreement between Australia and the United Arab Republic to exchange diplomatic and trade representatives. The United Arab Republic was not in a strong economic position after the years

of embargo imposed by the United Nations. There was an acute shortage of foreign exchange and heavy-handed involvement of government in many spheres of the economy. Re-establishing the important wheat and flour trades proved to be fraught. The country was in serious need of grain imports but had limited capacity to make payments. It became adept at playing one potential supplier against another at a time when competition from North America and Europe was intense.

Australia made a concerted effort to re-establish its position. In 1962 a large trade delegation led by Warren McDonald, chairman of the Commonwealth Banking Corporation, visited the United Arab Republic as part of its mission to the Middle East and the eastern Mediterranean, a mission that is discussed further in Chapter 7. The previous year an assistant commissioner, Jim Scully, a future secretary of the Department of Trade and Industry, had been appointed as part of the process of developing a favourable trading environment. Towards the end of his tour of duty Holmes claimed that Australia now enjoys 'excellent relations in Government and Commercial circles' and that there is now 'real awareness of what Australia can supply, and indeed a favourable disposition towards importing more from us'.³³ Wheat sales, however, were at best sporadic. There were small sales in the early 1960s but no further sales until the Australian Wheat Board negotiated a three-year contract on credit terms in 1970, thus matching terms that had been available from the United States. As a consequence, the 1960s was a bleak period for

Australian exports to the United Arab Republic. In his end-of-post report in 1964 the trade commissioner, F.G. Atkins, assessed the export prospects in the republic as 'poor' whereas those in oil-rich Libya, Aden and Jeddah were 'good'. Undergoing a further name change in 1972, the Arab Republic of Egypt was eventually restored as a



*J. Scully,
Assistant Trade
Commissioner
Cairo, on a visit
to Jeddah, 1961.
[DEPARTMENT OF
FOREIGN AFFAIRS
AND TRADE]*

major market for Australian wheat in the 1970s. As will be discussed, the management of the trade required the close attention of the embassy, trade commissioner and the Australian Wheat Board.

New Zealand

We have noted already the emergence of New Zealand as one of Australia's most important export markets in the decade after the war, despite its orientation to the United Kingdom and its reliance on import restrictions to maintain a precarious balance in her external payments. We have also described the development of a network of three trade offices in New Zealand, with the opening of both Auckland and Christchurch in 1955 to join the longstanding post in Wellington. Use of the word 'network' is appropriate because the trade commissioner in Wellington was the senior officer, and was responsible for the coordination of work in the country as a whole.

Successive trade commissioners played an important part in the growth of exports to New Zealand. The commissioners undertook a rigorous program of visiting factories, manufacturers' associations, employers' federations and government agencies. Despite similarities between the two countries and geographic propinquity, there was a great deal of work involved in introducing Australian exporters to New Zealand, and in assuaging New Zealand concerns about the large payments balance in favour of Australia and suspicion of Australian intentions.

Indeed, it is fair to say that New Zealand and Japan were the main drivers of export growth in the 1950s. These two countries were able to replace most of the lost markets in Europe and the United States. Table 6.7 summarises the distribution of Australian exports by broad geographic groupings. Readers might object that the grouping of Japan and New Zealand is artificial. To be sure, it is artificial, but it does make the point that, without the combination of Japan and New Zealand, Australia's export position would have been in a crisis similar to that of the early 1930s.

Table 6.7 Geographical distribution of Australian exports, selected years and regions, 1950s (per cent of Australian exports)

Year	Europe	Japan plus New Zealand	United States
1950/51	55.6	6.0	15.2
1954/55	58.9	12.5	6.8
1959/60	45.1	20.1	8.1

Source: Norton and Alymer, *Australian Economic Statistics: Tables*, Table 1.10; and Pinkstone, *Global Connections*, Table 54.

Although the trade commissioner service was effective in New Zealand, there were always opportunities that escaped the net—through no fault of the commissioner concerned. Don Walker, the second commissioner appointed

to Christchurch, was on the trail of an exciting opportunity in 1960. Operation Deepfreeze was the name of the American exploration of the Antarctic. All flights to United States bases in the Antarctic originated in Christchurch, and the American headquarters were located there. Walker cultivated contacts with the headquarters and became a friend of the commanding officer, Rear Admiral David Tyree, and many of his senior staff. There appeared to be opportunities to supply goods and equipment to the Americans.



Trade Commissioner in Christchurch, D.M. Walker, on a visit to Antarctica during the United States Operation Deepfreeze, 1960.
[DEPARTMENT OF FOREIGN AFFAIRS AND TRADE]

Walker was invited to fly on an American aircraft to one of the bases, and was also able to interest operational headquarters in Australian foodstuffs, protective clothing and hangar-type buildings that were judged to be more efficient than the existing prefabricated buildings. The potential customers were enthusiastic. But, with a deal nearly completed, the door was shut by United States legislation that prevented organisations such as Operation Deepfreeze purchasing their requirements, other than of perishable foods, from non-American sources.³⁴ While this killed a promising opportunity, the ground was laid for useful sales to United States Antarctic projects in the future.

The Service in the early 1960s

By 1960 the trade commissioner service had emerged as an important agency of economic policy. The service had become the cornerstone of export promotion, supporting as it did trade missions, trade publicity and the management of trade and commodity agreements. Because a healthy trade position was judged to be central to Australia's economic wellbeing, the development of new and existing export markets was given much the same priority as the maintenance of tariff protection and import licensing. The tension between these two approaches was not at this stage given serious consideration.

In June 1960 there were thirty-one trade commissioner posts and some fifty trade commissioners spread across four continents. As we have seen, Asia

continued to receive highest priority. There continued to be a priority on the development of new markets with an emphasis on geographic exploration rather than on more intense cultivation of established markets. Part of the reason for this was the element of pessimism about the future of Australian exports to Western Europe, particularly as the Common Market began to take shape after 1956. As in the 1930s, the sentiment propelling the trade commissioner service was an element of desperation in the desire to protect export volumes in a seemingly hostile price environment for most primary commodities, other than for wool.

Conditions were tough for export promotion for much of the 1950s. Although world trade recovered well after the war, many of the wartime barriers to trade lingered into the new decade, as did the acute US dollar shortage. As noted previously, the underlying problem for Australia, and for the trade commissioners, was the narrow export base. Australian exports of manufactures, apart from simply transformed nonferrous metals, were not competitive in most markets at this stage. New Zealand was a partial exception. Most of Australia's principal exports—wool and sheepskins, wheat and flour, dairy products, fresh and dried fruit, sugar and a range of manufactured foodstuffs—faced modest demand growth. Reflecting the intensification of international competition in many primary commodities, the second half of the 1950s experienced a sharp deterioration in the terms of trade. Between 1954/55 and 1959/60 the terms of trade declined by 26 per cent, thus denying producers the benefits of significant gains in productivity. Despite frequent disappointments, trade commissioners were effective in opening a number of new markets. They were not able, however, to counter the powerful forces restricting Australia's export performance.

The composition of the service changed appreciably as the 1950s drew to a close. The senior ex-servicemen of 1946 were gradually replaced by those with business experience and by officers from the Department of Trade and its predecessor. The recruits were younger than their predecessors and most were university graduates. While there were large numbers of applicants for advertised positions, it was still difficult to attract applicants with the appropriate range of personal and professional qualities. Training for the service remained largely informal. Effectively assistant commissioners were trained on the job under the tutelage of the senior commissioners.

An innovation of the period was the establishment of a trade commissioner 'pool'. The idea was a response to the acute shortage of commissioners and logistical problems of deployment during the first decade after the war. The principle was sensible enough. The pool comprised up to six commissioners who were yet to be assigned or reassigned. Usually members of the pool had

recently completed the customary three-year posting and were awaiting a further assignment. Existence of the pool gave the management of the service greater flexibility in the timing of overseas appointments and in choosing the most appropriate appointee. Commissioners usually spent from several months to a year in the pool.

There were concerns, however, about the way pool members were used while in Canberra awaiting re-posting. In short, a number were not effectively used after they had been debriefed. It was difficult, of course, to slot a commissioner into a regular administrative position for a relatively short period but, on occasions, not enough was done to find alternatively constructive work. Keith Cook, whom we encountered earlier as a commissioner in several European posts, was one of those who were forthright in their criticism:

I think [the Pool System] is the most dreadful kind of idea that's ever originated in Canberra ... If a Trade Commissioner comes back to Australia he should be de-briefed and have his home leave, and then he should spend time seeing the various people who have exported to the country where he was based, and see the various organisations who will be exporting to the country to which he is being posted, and that is it. There is no reason why he should sit on his backside in Canberra for a year and the Department try and find jobs for him.³⁵

As a generalisation, this is an exaggeration. Most members of the pool were employed effectively, but it is also true to say that a number found themselves at a loose end. Management of the pool improved over time but, in the early days, sufficient thought had not been given to effective employment of pool members.

Conditions of overseas service improved only gradually in the latter part of the 1950s. Housing continued to present difficulties, particularly in developing countries. There were complaints that the department was slow to respond to correspondence. Commissioners were still largely on their own, although the spread of diplomatic posts meant that a growing proportion of trade posts were part of an Australian mission. Highly variable was the support that a high commissioner or ambassador was able or willing to provide. Knowledge of the conditions faced by some posts was still limited, although senior members of the department were increasingly mobile and were able to provide on-the-spot assessments. Further, a system of post inspections was developed that provided a systematic overview of the operation and effectiveness of individual posts. Post inspections were conducted by a senior commissioner or by an officer of the department located in Australia. These inspections were often criticised by commissioners as limited or superficial, but such a system was the first step towards performance assessment.

We have noted previously that representational and other allowances were often inadequate in the post-war period, and that it was quite common for commissioners to use private funds to meet some of the costs of a post. The structure of allowances had also developed in a higgledy-piggledy fashion, and there were differences between the diplomatic and trade commissioner services.

All of this changed in 1960, when Cabinet considered a detailed report on conditions of overseas service prepared by Sir William Dunk, chairman of the Public Service Board. Essentially the decision was that conditions for the two main overseas services be brought into line and under the aegis of the Public Service Board. A special allowances committee was appointed to advise the board. The upshot was that, over time, conditions improved greatly. Reasonable provision was made for the cost of representation, housing, travel costs and the education of children. These changes were essential to enable able men and women to be attracted to the service in the competitive conditions of the 1960s.³⁶

7



Going global

*D.F.J.
McSweeney,
Senior Trade
Commissioner
in Japan,
1966–1971.
[D. MCSWEENEY]*

In the late 1950s Australia experienced substantial growth in the level of economic activity. Fuelled by rapid population growth and negligible unemployment, and a high level of spending on housing and on consumer durables, gross domestic product at current prices was growing at more than 8 per cent a year (or 6 per cent in real terms). As in 1956 this rate of expansion was beyond the capacity of the economy to maintain external balance. In 1961/62 external reserves fell sharply as in 1951/52 and 1955/56. This was the backdrop for a further intensification of the drive to increase export earnings.

On this occasion, however, the range of initiatives taken was broadened. Trade missions, publicity and the trade commissioner service were still central. The government decided that these traditional measures should not be expected to carry the full burden of export promotion. As we shall see, the combination of measures introduced included a taxation incentive for exporters, conditional lifting of the prohibition on exports of iron ore, encouragement of iron and steel exports on a regular basis, support for inbound tourism, a more intensive search for sources of direct foreign investment in Australia and financial underwriting of the cost of holding Australian goods in warehouses abroad to facilitate the prompt filling of orders

in international markets. There was no serious consideration, however, of using the exchange rate mechanism, of enhancing competitiveness by tariff reform, or of instituting more general microeconomic reform.

This chapter will discuss the global expansion of the trade commissioner service from 1960 to 1966 in the context of the further bout of anxiety about the inadequacy of external earnings and the expected slowing in the rate of development. The drive for new markets continued to be an important theme but, on this occasion, more attention was given to the strengthening of existing posts in Europe and Asia, and to a more direct exploration of Eastern Europe. The dispatch of trade missions to relatively unexplored regions was the prelude to the exploration of trade opportunities in the Middle East and the raising of the trade flag on the north-west coast of Latin America.

The external payments crisis of 1961/62 turned out to be short-lived, although it was accompanied by a rise in unemployment and the near defeat of the Menzies government at the general election of December 1961. In the first half of the 1960s, export performance improved modestly (Table 7.1), the early stages of some broadening of the export base were in evidence, and secular decline in the terms of trade was temporarily arrested. After almost half a century of volatility in international earnings, however, there was little confidence that there had been any fundamental change in the country's fortunes.

Signs of panic

In the latter part of 1960 the government was caught short by a sharp decline in external reserves. The budget of August 1960 was introduced by the treasurer, Harold Holt, without any hint that economic turbulence lay immediately ahead. In the first half of the year, external reserves were comfortably above £500 million, a level that was regarded as sufficient—but barely so—to support the existing exchange rate against the pound sterling. Because of a rapid growth in imports, however, external reserves began to plunge. By November 1960 reserves had fallen to under £400 million and were declining at the rate of £20 million to £30 million per month. Embarrassingly, the treasurer was obliged to introduce a supplementary economic statement on 15 November 1960 that announced an increase in taxation and a rise in interest rates designed to flatten domestic demand.

Anxiety was intensified by two unrelated developments. First, import restrictions had been effectively abandoned in February 1960 as a way of improving the domestic supply position. As we have seen, import restrictions had been used since their reintroduction in 1952 as a flexible instrument to regulate the flow of imports and secure external balance as far as possible.

Abolition was a brave move for a government habitually pessimistic about the external position, and it contributed to the outbreak of anxiety that invaded official circles towards the end of 1960 and early in 1961.

Table 7.1 Export performance, selected indicators, 1960/61 to 1965/66

Year	Exports of goods and services (£m)	Current account balance (£m)	Ratio of exports of goods and services to GDP per cent
1960/61	1,083	-370	14.3
1961/62	1,231	1	15.9
1962/63	1,242	-229	14.8
1963/64	1,575	-29	17.0
1964/65	1,521	-436	14.9
1965/66	1,736	-321	14.5

Source: Norton and Aylmer, *Australian Economic Statistics*.

The second development was the announcement in 1961 by the British prime minister, Harold McMillan, that the United Kingdom intended to seek entry to the EEC. There had been much speculation about the likelihood of the British application, which only added to the drama when the news eventually broke. Even though the importance of the United Kingdom as a trading partner had been much reduced, she still represented Australia's largest export market. The public reaction by McEwen bordered on the hysterical:

So far as the Commonwealth is concerned, the United Kingdom's apparent wish to join the Common Market seems to carry the possibility of a tearing down of much of the Commonwealth's trade structure which has held the Commonwealth together since the days when the Ottawa Agreements were first negotiated.

So far as Europe is concerned the prospect of the United Kingdom—and various other countries at present associated with her in the European Free Trade Association—now joining the Common Market means the prospect of spectacular structural alterations to the trade in the ... Free World.

However important as pending changes in Europe may be, it would be a tragedy of the first magnitude if the Free World were to lose sight of the grave weaknesses, indeed cracks, in its trade foundations which have been becoming more and more apparent in the last few years. Indeed, if these structural weaknesses in the trade edifice are ignored, it would seem certain that the

remodelling at present being undertaken in Europe, important as it might be, could all be for nought. Indeed, it could even hasten the deterioration of the total structure of trade and economic relations in the Free World erected with such difficulty in the post-war years.¹

McEwen's principal concern, of course, was the potential loss of market access; he feared that the world trading system might return to the autarchic conditions of the 1930s.

On this occasion the president of France, Charles de Gaulle, vetoed the British application, but the prospect of a further application continued to haunt Australian trade policy for the remainder of the 1960s.²

During the urgent consideration of export policy in 1960/61, one point emerged with clarity: it was no longer sufficient to rely so heavily on a strengthened trade commissioner service. Strengthening would be required, but other innovative solutions were needed as a matter of urgency.

A committee of Cabinet was established under the leadership of the prime minister to develop 'positive steps to improve the balance of payments position' that might involve a novel or unorthodox approach.³ A committee of permanent heads was also established to support the ministerial group. The ideas that emerged are summarised as follows:

- *Steel*: It was considered that considerable potential existed to expand steel exports. While production had expanded substantially in the 1950s, this was not sufficient to meet domestic demand. Steel producer Broken Hill Pty Ltd (BHP) exported occasionally, but usually only during troughs in domestic demand. Urgent discussions were recommended with BHP to encourage expansion of the industry so as 'to ensure a substantial and continuing net export of steel products within a reasonable period'.
- *Iron ore and coal*: Since World War II the export of iron ore had been prohibited on the assumption that Australia was deficient in resources and for national security reasons. The prohibition was lifted on 2 December 1960 as a means of stimulating exploration and eventually exports. Coal exports were also considered to have considerable potential.
- *Inbound tourism*: Tourism emerged as a useful export earner in the 1950s, and the judgment was that the industry had significant potential to expand earnings. The Australian national travel association had received government support since 1956, and a proposal was developed to increase the grant for specific promotions. Inbound tourism was to be given specific recognition as an emerging export industry.

- *Restrictive export franchises*: There was a general view that export performance was inhibited by restrictions imposed by overseas firms operating in Australia. In encouraging investment from overseas, the intention was to favour those companies that offered opportunities for export expansion as well as for import saving.
- *Export insurance in the 'national interest'*: On the advice of the Export Development Council, the government decided to give consideration to amending the *Export Payments Insurance Corporation Act 1956* to allow enhanced export insurance for major items of export considered to be in the 'national interest'.⁴

This was an incomplete list. Further consideration was to be given to proposals such as the funding of developmental roads in northern Australia for beef and mineral exports, specific taxation incentives for exports, and the enhancement of shipping services to new markets.

The prime minister announced on 3 January 1961 that the five more-developed proposals outlined above would be implemented, and that additional ideas would be examined.⁵ Early results were not expected: the measures were only likely to have an impact in the longer term. With the advantage of hindsight, lifting the iron ore embargo was the most important step because it helped facilitate the minerals boom of the late 1960s. The other proposals, however, were relatively modest and were unlikely to carry much clout. The important point was that the government was thinking more broadly than in the 1950s, and that some pressure was removed from the trade commissioner service.

Further steps were taken during the course of 1961. On McEwen's initiative, proposals were developed to offer taxation concessions to exporters. It is an indication of McEwen's standing within government that he was able to wade into the treasurer's territory without causing a rift with a senior colleague. Indeed, McEwen and Treasurer Holt jointly presented the submission to Cabinet after receiving advice from the Export Development Council.

The additional proposals as adopted were as follows:

- A double deduction would be allowed for expenditure on export promotion. In other words, for every £1 spent on export promotion, the allowable deduction would be £2.
- A payroll tax rebate was to be made available to firms in the 'chain of supply' behind the actual exporter.
- The measures were to be introduced for an initial period of three years.⁶

Although difficult to administer, these measures would have some 'bite'.

The initiation of a television campaign to promote export consciousness was also on the agenda. Approval was given in June 1961 for the production of a series of 'export action' programs to be shown on national television, supported by a number of radio programs.⁷ The programs were ready for broadcast in the second half of 1962 and were shown by the Australian Broadcasting Commission and by commercial television pro bono. McEwen thought the campaign a great success and secured further funding in 1963. The campaign appears to have raised export consciousness at the time, but it is likely that the impact was short-lived.

The issue of 'warehousing' stocks for export in overseas locations was a matter that took several years to resolve. The problem was easy to identify and has been mentioned in previous chapters: the long lead time in making deliveries from Australia to most overseas markets. The problem was particularly acute in the case of non-standard exports such as elaborately transformed manufactures and a range of foodstuffs. The solution appeared to be to warehouse stocks abroad so that orders could be filled as rapidly as possible.

The prime minister touched on the issue in his statement in January 1961 and again in his policy speech of November 1961. There was uncertainty, however, about how best to proceed. Should a corporation be established to hold stocks abroad, financed jointly by the Commonwealth and private enterprise? Or should the instrument of taxation be used to allow a double deduction for the cost of holding stocks abroad? A number of the alternatives would have been expensive and difficult to administer effectively. In any case, there were serious reservations about the government becoming involved in what was a commercial problem.

Ultimately it was decided to support warehousing by means of underwriting the risk of holding stocks abroad. In August 1964 Cabinet decided to allow EPIC to issue trade promotion insurance policies on overseas stock that would cover both political and commercial risk. The cost of the policies would be eligible for a double deduction for income-tax purposes. In the event of losses by EPIC on these policies, the government would cover these losses during the first four years of operations. Thereafter, expectations were that government underwriting would no longer be necessary.⁸

This was less than exporters were requesting. The preferred model was a system of fully-fledged warehouses in Australia's main markets, created with substantial government funding. The scheme as adopted reduced risk marginally for a time, but it was not long before improvements in international transport reduced the problem of slow delivery times.

Although the basis of export promotion was broadened in the early 1960s, the measures were put together hastily, and they were not based on research or sufficiently strategic in conception. Indeed, they bore the marks of desperation, which gave birth to a scattergun approach. It would be twenty more years, after another decade of poor export performance in the 1970s, before research-based strategy became the driving force of export promotion.

Intensification

The opening of the 1960s marked a change in leadership of the Department of Trade. Sir John Crawford retired as secretary of the department in 1960 to take up a position at the Australian National University. He was succeeded by Alan Westerman, a senior colleague in the department for more than a decade. Westerman had been responsible for trade promotion for most of the 1950s, and had been a strong proponent of the trade commissioner service. At forty-seven years of age, he was a tough and skilled public servant who enjoyed a considerable capacity to place his imprint on policy. His policy instincts were protectionist, and he had served for several years as chairman of the Tariff Board in the late 1950s. Between them McEwen and Westerman made a formidable combination. Jointly they led the Department of Trade (the Department of Trade and Industry after 1963) to its period of greatest power and influence.

A further change in 1961 was the resignation of Eric McClintock as an assistant secretary of the department and director of the trade commissioner service. McClintock resigned to join the private sector and became a prominent company director. He played a crucial role in nurturing the service during its rebuilding phase in the 1950s and, together with Crawford and Westerman, ensured that the service was in a sound position to take advantage of new responsibilities in the 1960s. Keith Le Rossignol, an experienced trade commissioner who had served in India, the Philippines and Hong Kong, replaced McClintock as director.

In the first half of the 1960s the trade commissioner service was broadened and deepened. The government was almost always receptive to the numerous proposals put forward by McEwen in the context of the need to intensify export promotion. The most significant initiatives were the identification of South America and the Middle East as regions of export potential. Trade missions were dispatched to both regions in the early 1960s. The reports that followed provided, almost predictably, optimistic assessments of the potential of both regions, and several new trade posts were opened as a consequence. Rather belatedly, Europe outside London received more attention than in the 1950s.

There was acceptance that trade policy work could not continue to be managed from London, and priority was given to the opening of a post in Geneva. New posts were also opened in Athens and Hamburg, and a number of existing posts were strengthened with the appointment of assistant commissioners. Asia and North America continued to be given priority, although fewer posts were added than in the 1950s. New posts were opened in Los Angeles in 1964 and in Osaka in 1965. Posts that were opened in the period are summarised in Table 7.2. By the mid-1960s it can be said fairly that the trade commissioner service had achieved global reach with posts in five continents.

Table 7.2 Trade commissioner posts opened and appointees, 1961 to 1965

City	Date established	Appointee	Appointment dates
Beirut	1961	K.M. Le Marchand	1961–64
Lima	1961	M.F. Roberts	1961–65
Pacific islands (located Sydney)	1961	D.M. Walker	1961–62
Athens	1962	D.L. Crawford	1962–64
Caracas	1962	J.S. Nicholls	1962–64
Bahrain	1964	K.F. McKernan	1964–65
Geneva	1964	P.F. Donovan	1964–66
Hamburg	1964	T.N. Cronin	1964–66
Los Angeles	1964	A.L. MacRae	1964–66
The Hague	1964	M.J. Long	1964–65
Vienna	1964	R.J.C.N. Schneemann	1964–71
Brussels	1964	P.F. Donovan	1966–68
Buenos Aires	1965	H.G.D. McConnell	1965–70
Lagos	1965	P.B. Horne	1965
Osaka	1965	A.C. Schrape	1965–67

Note: As indicated in the text, P.F. Donovan held the policy posts in Geneva and Brussels jointly from 1964, although in practical terms Brussels was not occupied until 1966.

Several steps were taken in the early 1960s to broaden and deepen the ranks of trade commissioners. One of these was the appointment of specialist trade commissioners, usually financed by a third party, to handle those aspects



*Trainee Trade
Commissioners
—Class of
1963.
L–R: Front:
J. Short,
G.A. McHugh,
B.W. Shanahan,
P.A. King
Back:
K.J. Edwards,
R. Churchill-
Bateman,
B. Conduit,
R.T. Anderson,
P.J. Dawson
[J. SHORT]*

of trade promotion that required skills and knowledge not ordinarily possessed by most commissioners. McEwen's submission to Cabinet proposing the scheme emphasised—as his submissions usually did—the pressure on the service, the growing acceptance of the value of the service and the willingness of private enterprise to embrace the export promotion campaign. The minister sought and secured permission to appoint specialist trade commissioners from time to time, with salary and allowances contributed from external sources.⁹ The idea was not entirely new. It will be recalled that the trade post established at Toronto in 1928 was financed in part by the Dried Fruits Control Board, although the commissioner was not designated as a specialist. In the 1950s a position of agricultural attaché evolved in Washington. By 1959 A.J. Bennett was designated assistant trade commissioner (agricultural attaché) and was accepted as a member of the Australian embassy. There were relatively few commissioners appointed, however, on the basis of external funding, but the appointment of specialists was found to be a useful device in a number of key markets. For example, a trade commissioner (minerals representative) was appointed to London in 1966 to support the expansion of iron exports from Western Australia. Trade commissioners (textiles) were also appointed in North America. There was potential that such appointees could conflict with the regular work of posts, and some commissioners were initially uncomfortable with such appointments. Most specialists, however, worked cooperatively as team members and were useful additions in the larger posts as Australian exports diversified.

Beginning in 1960 the training of recruits to the service was made formal, replacing the on-the-job style of the 1950s. Those recruited as assistant trade commissioners were inducted through a twelve months' program that involved presentations on the structure of the Australian government, the role and function of the Department of Trade, the role and responsibilities of trade commissions, and the structure of industry and its export performance.

An innovation at the time was the appointment of trainee trade commissioners. This was a response to the shortage of suitable candidates for recruitment as assistants and to the rapid growth in the size of the service. Up to twelve trainees were to be recruited, usually new university graduates. Trainees combined work in the department with a range of formal presentations and on-site visits to Australian companies. After about two years trainees were eligible for appointment as assistants.

In 1964 a small overseas trade promotion visits fund was established. The purpose of the fund (initially £50,000) was to promote an understanding of the range of Australian exports, particularly of manufactures, among overseas officials and businessmen. The intention was to supplement trade publicity by inviting key people to visit Australia and exposing them to the range of the country's export potential, in the hope that this would help attenuate 'the tyranny of distance'. About fifty visits were expected to result, with some additional funding provided by the private sector.¹⁰

*Beryl Wilson (L),
Marketing Officer
and later Trade
Commissioner
in Los Angeles,
inspects a display
of Australian
fashion clothing
with a store buyer
in Denver, 1963.*
[DEPARTMENT OF
FOREIGN AFFAIRS
AND TRADE]



At a time of gradual change of the role of women in Australian society, the Department of Trade wrestled with the possibility of employing women as trade commissioners. The issue did not arise as a matter of high principle. It arose because Beryl Wilson, a highly capable

Australian on the staff of the San Francisco office, was under consideration for appointment as assistant commissioner in Los Angeles. As discussed later in this chapter, under examination was the option of transferring the trade post on the West Coast from San Francisco to Los Angeles.

There was considerable apprehension about the appointment of women in general rather than about the particular appointment of Beryl Wilson. This is reflected in an assessment provided for Keith Le Rossignol as director of the service:

Even after some deliberation, it is difficult to find reasons to support the appointment of women Trade Commissioners.

In countries where publicity media is well developed, such as North America and England and where there are no other major drawbacks, such as the Islamic attitudes towards women, a relatively young attractive woman could operate with some effectiveness, in a subordinated capacity ...

If we had an important trade in women's clothing and accessories, a woman might promote this more effectively than a man.

Even conceding these points, such an appointee would not stay young and attractive for ever and later on could become a problem.

It is much easier to find difficulties, some of which spring to mind are:

- Women are not employed, except to an extremely minor degree, as career Trade Commissioners in any known service.
- It is difficult to visualize them as Trade Commissioners, firstly because they could not mix nearly as freely with businessmen as men do. Most men's clubs, for instance, do not allow women members.
- Relationships with businessmen would tend to be somewhat formal and guarded on both sides. This would make it more difficult for a woman to obtain information.
- It is extremely doubtful if a woman could, year after year, under a variety of conditions, stand the fairly severe strains and stresses, mental and physical, which are part of the life of a Trade Commissioner.
- A man normally has his household run efficiently by his wife, who also looks after much of the entertaining. A woman Trade Commissioner would have all this on top of her normal work.
- If we engaged single graduates as trainees, most of them would probably marry within five years.
- If we recruited from the business world, we would have a much smaller field from which to recruit, as the number of women executives in business is quite small.
- A spinster lady can, and very often does, turn into something of a battleaxe with the passing years. A man usually mellows ...

The conclusion of this classic discourse was that 'It would seem that the noes have it'.¹¹ Even though these views were shared within the senior ranks of the service, Mrs Wilson was appointed an assistant commissioner in 1964 and went on to have a very distinguished career as a trade commissioner, being the first woman appointed to the position in 1967. It would be fair to add, however, that women made little progress in the service until the latter part of the 1970s.

Exploring the Middle East

It will be recalled that the Middle East and South America were singled out in 1961 for special attention as part of the drive to improve the balance of payments.

Australia was relatively slow to explore the trade potential of the Middle East. After the withdrawal from Cairo in 1956, the region was 'covered' from Rome and Karachi. The commissioner in Rome had North Africa and the Eastern Mediterranean as part of his territory, while the commissioner in Karachi had responsibility for the Persian Gulf as well as for Pakistan. This was obviously unsatisfactory. By contrast, British and American interests had been exploring the commercial potential of the region for years.

The Middle East was on the agenda well before the intensification campaign of the early 1960s, but there was uncertainty about how best to proceed in the face of rapidly changing political and economic circumstances. When Ron Hines was trade commissioner in Karachi in the late 1950s, he was impressed by the trade potential of Iran. He visited Tehran on a number of occasions at a time when the country was benefiting from substantial loan funds from the United States, but the regime was reluctant to grant diplomatic privileges until mutual diplomatic recognition had been agreed. For a time Tehran was favoured as the location of at least one Middle Eastern post but, with the cessation of American lending to the country, stringent import restrictions were imposed. A consignment of Holden cars was unloaded just as these measures were introduced, and they remained on the wharf at Khorramshahr for more than a year gathering dust.¹²

While Tehran remained on the agenda for the present, the strategy for the Middle East was broadened early in 1961. For the purpose of analysis, countries of the eastern Mediterranean such as Greece, Turkey, Cyprus and Malta were included in the region. Information presented to the committee of permanent heads, and subsequently endorsed by Cabinet, indicated that total Australian exports to the region in 1959/60 amounted to £20.9 million, but that this represented only 1.6 per cent of total imports into the area. The most promising markets appeared to be Iraq, Turkey and the Arabian states and, to a lesser extent, Egypt and Malta. Greece appeared to offer opportunities with the establishment of a regular shipping link between Australian ports and Piraeus. Foodstuffs were the most likely Australian products to find markets, but there was also potential for automobiles, agricultural machinery and other metal manufactures.¹³

With the economic situation in Iran under stress, the decision was made in February 1961 to establish a trade post in Beirut. The Lebanese government was receptive to the proposal, negotiated on behalf of Australia by the British

government, and was willing to accord full diplomatic status to the mission. Beirut was selected because of its relative affluence, Western orientation and access to other parts of the region rather than for the scale of its imports from Australia (£1.7 million in 1959/60). Officially the role of the trade commissioner was to 'contribute to the economic relations between Australia and Lebanon' and represent Australian interests in the country. Also, responsibility for Syria and Jordan was transferred from Cairo to Beirut. In a less formal sense, however, Beirut was regarded as a beachhead in the Arab world outside the African continent. Two trade missions to the Middle East, one in the form of a trade ship, were planned for 1961 and 1962, and it was important that at least an additional trade post be established in the region ahead of the arrival of the two missions. An experienced officer, Harold Le Marchand, was selected to open the post. Le Marchand was almost sixty years of age when he took up the appointment, and he had served previously as trade commissioner in Malaya and Rhodesia after a career in the private sector with a focus on export promotion. He was able to provide a steady hand in establishing trade representation in a turbulent part of the world.



A dinner honouring the first Australian Trade Commissioner in Lebanon, H.M. Le Marchand (seated L), 1961. [RUDOLPH ABOUKHATER COLLECTION, STATE LIBRARY OF VICTORIA]

The first of the two trade missions comprised a large delegation of thirty-five members, led by Warren D. McDonald, chairman of the Commonwealth Banking Corporation, and was undertaken early in 1962. The mission travelled extensively, visiting ten countries, and made useful contacts, particularly among import agents. In a sense the mission was a pipe-opener: Australian products were not well known outside Egypt. Probably more important was the second mission in the form of a trade ship, the M.V. *Chandpara*, that was arranged privately by the Australian Manufacturers' Export Council and several other private-sector organisations but with the full support of the Department of Trade. The mission, led by Douglas Taplin, chairman of the export council

and head of a prominent electrical equipment firm, visited Pakistan, Muscat and Oman, Kuwait, Bahrain, Iran, Qatar, Saudi Arabia and a number of the smaller Gulf States in March–April 1962.¹⁴ The physical display of items was a

distinct advantage, and the mission played a useful role in introducing items to markets that were unfamiliar with Australian exports. The mission was firmly of the view that an additional trade post should be established at the southern end of the Gulf. As explained by Alan Taysom, a member of the mission:

*A.R. Taysom,
Trade
Commissioner
in Karachi (2nd
L), introduces
D.E. Taplin,
leader of the
'Chandpara'
Trade Mission,
to Mr Hafizur
Rahman,
Pakistan
Minister for
Commerce,
1962.*



[DEPARTMENT OF
FOREIGN AFFAIRS
AND TRADE]

The consensus eventually favoured Bahrain. Tehran was much too remote and Kuwait too close to Iraq, whose Prime Minister Kassim threatened periodic invasion [sic]. Kuwait was a little too sophisticated for our type of exports.¹⁵

The advice was followed. Despite the fact that Bahrain was a small, desolate place at the time, the emirate was strategically located. As will be discussed in more detail shortly, a trade post was established in Bahrain in 1963 for the purpose of supporting trade with eastern Saudi Arabia, Kuwait and other states of the southern Gulf.

At the conclusion of his three-year term in Beirut, Le Marchand judged that the trade performance had been moderate. Excellent sales of wheat had been made. Despite pressure from the United States, Australia was the only supplier of wheat at the time. A valuable contract had been concluded for the supply of jarrah railway sleepers for the reconstruction of the Hejaz railway, and useful sales of mutton had been made to the Jordanian army. There were, however, disappointments. There had been modest sales of processed foodstuffs and of materials such as wool, tin plate and rutile, but little progress had been made in the sale of manufactured items.

Of course, some disappointment was to be expected in the early stages of a post and in a country remote from the established pattern of Australian trade. More specifically Le Marchand suggested that there were three main reasons for the slow penetration of Australian exports: the relatively high prices of manufactured exports; the absence of a direct shipping connection, involving costly and time-consuming transshipment at Port Said; and partly, as

a consequence, a lack of interest in the Lebanese market by exporters. Many of the commercial leads obtained by the McDonald mission in 1962 were not followed up.¹⁶ While it was important for Australia to explore new export markets, the links between trade policy and the response of exporters had not yet been adequately integrated.

The Australian embassy in Beirut (established 1966)—and with it the trade post—was temporarily evacuated as a result of sectarian strife in 1967, and was not maintained at full strength until the appointment of Ian Haig as trade commissioner in 1970. Partly because of political turmoil in the region (and within Lebanon itself), and the rise of the oil-rich states, Beirut lost its strategic position in the eastern Mediterranean. After 1976 the post was discontinued and the Australian embassy in Lebanon handled commercial matters at a more junior level.

Ken McKernan was aghast when he was advised in 1963 that he had been appointed to open a trade post in Bahrain. At the time, McKernan was trade commissioner in Salisbury, and the indications were that he would be closing this post shortly and that he would be transferred to a more important part of the world. There had been discussions with Eric McClintock about the possibility of opening a post in the Gulf and, if such a post was to be opened, the dice appeared to be rolling in favour of Kuwait. So the choice of Bahrain came as a shock. McKernan expostulated:

Now, I find myself in the unusual position that I am whipping up my enthusiasm to open a Post in a smaller area, with less population, less total imports, less share for Australia, in an area regarded as one of the hottest in the world, with the worst climate, one lousy hotel, and the prospect of obtaining a suitable residence very limited.¹⁷

While this reaction was understandable, it was not based on detailed knowledge of the Gulf or on a strategic assessment of the economic potential of the region. At least for the time being Bahrain proved to be a safe, stable and convenient location for trade promotion in the emerging Arab states in the southern part of the Gulf.

Conditions were tough, as McKernan had predicted. Perhaps the most difficult aspect was the constant travel. Following the opening of the post early in 1964, fourteen trips (most involving visits to more than one state) were planned during the period to June 1965, according to a program set down for the post:

- Kuwait—six visits
- Riyadh—one visit
- Qatar—four visits

- Oman—four visits
- Muscat—four visits
- Trucial States—four visits
- Dammam (Saudi Arabia)—three visits
- Dhahran (Saudi Arabia)—three visits.

The trade commissioner was instructed 'to make himself known throughout the Gulf by the middle of 1964',¹⁸ and in this he was quite successful. Despite McKernan's initial reservations, the decision to establish a post in the southern Gulf proved to be effective, both in the short term and strategically. Table 7.3 depicts the expansion of exports to the region from the late 1950s. Foodstuffs such as flour, meat, dairy products, eggs and fresh fruit were the most significant items, but there were early signs of demand for manufactures such as motor vehicles, agricultural machinery and hand tools. In Bahrain significant shipments of alumina commenced as feedstock for a smelter that had recently been built in the emirate. The live-sheep export trade to the region also emerged at this time.

Table 7.3 Australian exports to the southern Gulf, 1959/60 to 1967/68
(\$ million)

Country	1959/ 60	1960/ 61	1961/ 62	1962/ 63	1963/ 64	1964/ 65	1965/ 66	1966/ 67	1967/ 68
Bahrain	0.9	1.6	1.0	1.2	1.3	1.3	1.3	1.3	1.6
Kuwait	1.4	2.7	2.5	2.3	3.8	5.2	5.2	9.9	9.3
Saudi Arabia	1.9	1.7	1.7	3.7	4.6	5.4	6.3	10.4	13.1
Qatar	0.3	0.5	0.5	0.6	0.6	0.6	0.6	0.7	0.9
Other Gulf States	0.7	1.0	0.9	1.6	1.5	1.5	1.6	2.5	3.2
Total	5.2	7.5	6.6	9.4	11.8	14.0	15.0	24.8	28.1

Ian Holyman succeeded McKernan in Bahrain in 1965, and was responsible for much of the network building that provided the platform for trade expansion. Holyman was a one-post trade commissioner who returned to the private sector in 1969 after completion of his term in Bahrain. Pioneering work in the region included the construction of a house for the Commonwealth government, largely from imported materials and designed by Holyman's wife, June. A personal highlight of June Holyman's time in Bahrain was an invitation to the wedding of the son of the ruler, Shaikh Hamad. She was the guest of Her Highness Shaikha Hassa and was clearly enchanted by the occasion:

The invitation was for 10 pm at a country house, way out in the desert. We dressed in our finest evening clothes and set off for our destination. It was the most beautiful balmy star-filled night and when we arrived we found 6,000 women present and not a single man. The only man was to appear later—the bridegroom ...

We had to wait about two and a half hours before the bride and groom appeared but time went quickly. There were refreshments served constantly and Her Highness personally saw that we were well looked after. The Arab ladies all wore their traditional black abas ... but to our delight they paraded along the carpet with their abas thrown back and we experienced the most beautiful fashion parade—straight from Paris ...

These lovely clothes were set off by jewellery such as I had never seen before—sapphires, emeralds, rubies and masses of diamonds and their lovely strong dark hair matched it all.¹⁹

Despite the difficulties of trade posts such as Bahrain, there were occasional rewards such as this sparkling experience.

Wes Lyons, a Western Australian, was one of the few regular visitors to the Gulf region in the 1960s. After an exhausting day during the Bahrain trade fair in 1966, he penned a few lines of verse under the title

‘Australia’s Stand in the Sand’:

In Arabia far from Canberra, where ‘tis seldom known to rain,
There lies a land, ‘tis mainly sand. The Sheikdom of Bahrain.
There a TC’s Post, midst the Arab host, promotes Australia’s trade,
In a clime most foul where the wild winds howl and it’s 110 in the shade.

There is no doubt that Bahrain was uncomfortable, but a platform for trade expansion had been built.²⁰ With posts in Cairo, Beirut and Bahrain, Australian trade representation was thin on the ground. The largest markets were Kuwait and Saudi Arabia, but there were political sensitivities in establishing posts in these countries in the 1960s. The oil crisis of 1973 provided the stimulus for the expansion of trade promotion in the Gulf region in the 1970s.



*Trade
Commissioner
G.I. Holyman
with the Ruler of
Bahrain, Shaikh
Isa bin Sulman
Al-Khalifa, at
the Bahrain
Trade Fair,
1966.*

*[DEPARTMENT OF
FOREIGN AFFAIRS
AND TRADE]*

Tackling South America

For the trade commissioner service, South America was the last frontier outside the Communist world. As we have seen, there was a brief and unsuccessful dalliance with a post in Santiago in the late 1940s and, as minister in Rio de Janeiro between 1945 and 1948, Lewis Macgregor was concerned as much with trade as with diplomacy. But to all intents and purposes South America was a closed book as far as Australian trade was concerned.

On the principle of intrepid exploration of all available options, South America seemed attractive simply because of its untapped potential. Difficulties were acknowledged, particularly in securing an effective shipping link across the Pacific, but these were not allowed to overwhelm ambition. Research on market potential was to be conducted, as usual, by the dispatch of a trade survey mission. Such a mission left for South America in August 1960, well before the frantic round of activity that propelled the export drive a few months later. Robert Simpson, an experienced South Australian industrialist and a fluent Spanish speaker, led the mission. Its five members visited Colombia, Ecuador, Peru, Chile and Argentina; Venezuela was omitted only because of political unrest. The focus of attention was on the cluster of countries to the north-west of the continent. Together with the modest trade links with the Caribbean islands, it was hoped that the focus on a reasonably compact geographic area would encourage establishment of a regular shipping service between the southern continents.

The customary optimism about trade prospects in a new region infused the survey mission's findings. The general assessment was that there were 'real and continuing prospects' for Australian exports in a number of countries so long as fundamental problems could be overcome. The most promising countries were judged to be Peru, Chile, Ecuador, Colombia and Venezuela; the most likely products to be in demand were wool and wool tops, live sheep, fresh fruit, dairy products, steel and coal, and agricultural equipment. The underlying competitive character of Australian and South American exports was not seen as a fundamental impediment because of detailed differences in the composition of export items. The lack of regular shipping services was the most important problem, and little would be achieved until a regular service, at least every two months, was established. In the early 1960s Australian products were virtually unknown in South America, and it would take a concerted campaign of trade promotion to have any impact on the marketplace.²¹

The mission recommended that a trade post be opened in Lima, Peru, and be supported by trade correspondents in other target countries; that negotiations for the commencement of a regular shipping service be initiated forthwith; that a vigorous trade promotion campaign be initiated, including the

dispatch of a trade selling mission to the target countries; and that measures be taken to match the credit terms offered by other countries. It was clear that the risk of disappointment was considerable, but the recommendations were made in the spirit of the government's determination to do everything possible to open new export opportunities.

In deciding to accept these proposals, the government went one step further: in addition to a new post in Lima, authority was given to the Department of Trade to establish a second trade post in Caracas, Venezuela. The origin of this decision is not entirely clear. Venezuela was within the territory of the commissioner in Port of Spain, and it is likely that there was a desire to reduce the territorial burden of this commissioner to allow greater focus on the Caribbean islands. It is also likely that a single commissioner on the north-west coast of South America would not be sufficient to make an impact. It is probable that Venezuela's oil resources, only a small proportion of which were proven in the early 1960s, led to an optimistic assessment of the country's commercial potential. Whatever the explanation, it is clear that the decision to establish in Caracas was not as well grounded as the choice of Lima.

To encourage a regular shipping service between Australia and South America (and the Caribbean), the government was obliged to offer a guarantee against loss up to a specified amount. With the guarantee, the Swedish Orient Line (subsequently K-Line) offered to provide a service (including refrigerated space) to ports on the South American north-west, and through to the Caribbean, at intervals of two months. An Australian shipping company, William Heals Pty Ltd, was prepared to provide a service without refrigeration to Argentina, Uruguay and Brazil, sailing from Australia every three months. Initially the guarantees were provided for up to two years, and they were subsequently renewed for several years beyond the initial period.

Maxwell Roberts was the commissioner chosen to lead the South American campaign. Roberts was recruited by the service in 1951; he had served previously in New Zealand and Ceylon. He arrived in Lima in October 1961 with a formidable task. In addition to introducing Australian products to Peru, he was initially responsible for the whole of South America. After the arrival of the trade commissioner in Venezuela, the territory was reduced to the no-less-challenging group of countries that included Peru, Argentina, Bolivia, Chile, Paraguay and Uruguay. The usual problems of diplomatic representation were encountered but this did not turn out to be as difficult as in Stockholm. Roberts was accepted informally as a member of the diplomatic corps in Peru, and was subsequently appointed as commercial counsellor to the Australian embassy in Argentina.

As had been planned, Roberts' arrival was followed closely by the 'selling' mission to South America that toured in April–May 1962 and was led by Donald Mackinnon; it comprised some forty-six members, at the time the largest mission of its type to leave Australia. Mackinnon, son of Donald Mackinnon, commissioner to the United States in the 1920s, was well placed to provide the necessary leadership. He had lived in Argentina between 1929 and 1946, was a fluent Spanish speaker and had served as Australian minister to Brazil between 1958 and 1960. There was a note of caution in the mission's report. The obvious difficulties of breaking into South American markets were judged to be 'not insuperable and should present a challenge to Australian exporters' adaptability and ingenuity'; exporters were urged to develop a full package involving agency arrangements, credit information and product specifications. The most promising items were judged to be livestock, wool tops, cereals, pasture seeds, fresh fruit, agricultural machinery, land-clearing equipment, irrigation equipment and nonferrous metals.²²

*Trade
Commissioner
to Peru, M.F.
Roberts, presents
Australian
canned goods to
William Willis
for his raft
voyage across the
Pacific, c.1963.*

[LATROBE
PICTURE
COLLECTION,
STATE LIBRARY
OF VICTORIA]



Roberts was able to achieve a reasonable amount in his five years in Lima. Australian interests were well flagged in the market, a large number of agencies for exports were arranged, a market for Australian butter was established, a milk-processing plant and equipment were

installed, a limited quantity of grinding rods were sold, and a market was created for wool tops and dried fruit. Some success was also achieved in Argentina and Uruguay, particularly in relation to steel billets and agricultural machinery.²³ The main impediment continued to be the absence of adequate shipping despite the establishment of connections. Exporters were in a catch-22 situation: six voyages a year were not sufficient to establish an effective presence in the market, but it was not clear that market penetration had become sufficiently deep to justify more regular consignments. The lack of generous credit arrangements in countries fraught with economic difficulties, such as Chile, was also a handicap. Battling competition from the United States in that country's sphere of economic influence was always going to be tough.

The experience of the trade commissioner in Caracas proved to be alarming as well as disappointing. Jim Nicholls opened the post early in 1962. After joining the service in 1951, Nicholls had previous experience with postings in London, Singapore and Kuala Lumpur. Venezuela proved to be an exceptionally difficult market. It was dominated by the United States, and there were also regular shipping arrivals from Japan and the United Kingdom. Venezuela conducted a two-tier exchange rate system, and imports from Australia were allocated to the less favourable rate. Australian wool sales were made occasionally, but imports from outside the Latin American Free Trade Area (LAFTA) required a prior deposit of 120 per cent of the value of the consignment. This amounted to a substantial tax that had the effect of diverting demand to sources from within the LAFTA. To add to the woes, shipments from Australia were interrupted on several occasions.

Nicholls had difficulty in finding suitable accommodation, and in obtaining recognition as an official representative. Lack of fluency in the local language was a handicap. In addition to Venezuela, he was responsible for Colombia and Ecuador, where political unrest was endemic. In Caracas urban guerrillas, trained in Cuba, were mounting a determined campaign to overthrow the elected government. Nicholls has recounted a number of his personal experiences:

I was caught in the crossfire once while playing golf—and never was a bunker so welcome. We lay in it as bullets whistled overhead. Another time my wife and young son had to take shelter under a table in the dining room of the Hotel Avila in Caracas as bullets broke windows all round them. My older son sat for his Higher School Certificate in the British Council offices in Caracas while barricades in the form of tables placed against windows protected him and his invigilator from gunfire ...

The guerrillas tried everything to disrupt the everyday life of Caracas. One method they employed was the scattering of inch-long tacks over the main highways thereby creating awful traffic tangles ... The taxi drivers responded to the tactic ... by attaching two brooms to the fenders of their vehicles.²⁴

It was not long before Canberra lost confidence in Caracas' ability to produce results, and was inclined to believe that lack of initiative by the trade commissioner was partly responsible. The underlying problem, however, was the chaotic economic and political conditions in Venezuela, Colombia and Ecuador. Caracas was not a sound choice for the second trade post in South America, and it is not surprising that after less than two years of operations it was decided to close the post, as from December 1964. The resources released

were used to open a post in Buenos Aires. This meant abandoning the idea of geographical concentration of effort, but it did allow the commission to test a larger and more diversified economy.

In quite different economic and political circumstances, Caracas was reopened in 1980. Assisted by oil revenue, Venezuela had become one of the more modern South American countries and it was appropriate to try once again.

The trade post in Buenos Aires was opened in March 1965 by Hugh McConnell. The development of Argentina as a market for Australian exports took time and patience. Initially exports were heavily constrained by stringent import restrictions imposed by Argentina, and a trade relations report in July 1968 judged that the trade development role of the post was to a large extent 'inoperative'.²⁵ Further, the country was not on a direct Qantas route and, initially, business visitors were few in number. The post's main tasks, therefore, were to provide regular information on the export policies of Argentina and the other two countries in the post's territory—Uruguay and Paraguay—in relation to commodities of mutual interest, and to facilitate closer understanding between Australia and the countries in question. This was not a demanding brief.

In the 1970s, however, the trading environment improved, and the value of exports reached \$40 million per annum in the mid-1970s and touched on \$90 million at the end of the decade. A valuable market had been built in alumina, iron and steel products, mineral sands, and a range of manufactured goods such as sugar-cane harvesters, sheep-shearing equipment, veterinary products and medical equipment. The trade, however, was volatile, reflecting the characteristics of the Argentine economy, and was adversely affected by the Falklands War of 1982. The judgment in Canberra was that trade with Argentina was 'useful' and was heavily in Australia's favour.

Overall, South America did not open a new export frontier, as had been hoped in the early 1960s. This could have been anticipated, given the problems of distance, limitations of transport and the competitive nature of the economies of the two continents. Little would have been achieved, however, without the support that the trade commissioners were able to provide. As we have seen in other examples, commissioners played their most important role when markets were unfamiliar, communication difficult, and the provision of on-the-spot information essential to enable deals to be done. For the Department of Trade in the 1960s and 1970s, South America was not a high priority but did justify the investment of modest resources.

Broadening the footprint in Europe

The application by the United Kingdom for entry into the EEC was the spectre that dominated Australian trade policy, particularly in relation to Europe, in the early 1960s. Australia's position was understandably defensive. Despite the relative decline in exports to the United Kingdom, most food exports and a range of bulk materials would be adversely affected by the withdrawal of preferential entry into British markets. As McEwen declared in a prepared statement following an extensive round of consultations in 1962:

[E]ntire Australian communities—often in isolated areas—were dependent on trade deliberately geared to Britain; that indeed government investment in irrigation works and private investment in orchards, farms, mines and smelters had been built on the contractual preferential position, including unrestricted duty free entry, which we had enjoyed for 30 years in Britain.²⁶

The position that Australia developed as a defensive tactic was to argue that preferential access should be retained after Britain's entry into the EEC, but that the volume of preferential exports would be limited by quota to quantities normally exported to the United Kingdom in the years immediately prior to entry. This was a position developed by Alan Westerman, who argued that such an arrangement was consistent with the Treaty of Rome.²⁷ Even in preliminary discussions, however, it was clear that the French—and perhaps other members of the EEC—would not accept an arrangement that would deliver a lower cost base to the United Kingdom.

Alarm about a further erosion of European markets had a powerful influence on the disposition of trade posts on the Continent. It was finally accepted that policy work should no longer be concentrated in London and indeed that London was already overloaded with such work. The position of minister (commercial) in Brussels was created in 1964 to monitor and, if possible, influence Australian interests in relation to the evolving EEC. A trade post was also established in Geneva at the same time to perform a similar task in relation to GATT. Northern Europe was strengthened by the creation of two new posts in Hamburg and The Hague. By this means the largest ports of the region—Hamburg and Rotterdam—were to be given specific attention. There was also a need to move further afield—to Eastern Europe. The expectation that the Stockholm post would provide a conduit to the communist East had not been realised. Vienna was judged to provide the new launching pad. Further, a new post was established in Athens. This decision was only partly European in focus. It was driven by a perception that the eastern Mediterranean required strengthening to support the drive for

trade opportunities in the Middle East. Athens would thus relieve pressure on the new post in Beirut.

In line with this defensive approach, trade policy was directed towards the protection of traditional bulk-commodity exports to European markets. At one level this was understandable. The emergence of the EEC and, in particular, the adoption of the common agricultural policy signalled a fundamental change in the structure of world trade, on which the Australian economy had been built over the previous century. The exchange of food and raw materials for manufactures and services, the foundations of Australia's relatively high living standard, might be undermined. A defensive approach was necessary to allow time for adjustment to the altered structure of demand for commodities.

The weakness of the defensive approach was that it was not accompanied by any serious review of the domestic policy framework. The central features of the framework were a high level of tariff protection, a pegged and relatively high exchange rate and a centralised system of industrial relations and wage determination. The combination of these elements delivered a high cost structure and made it difficult for new export industries to emerge. In turn, a heavy burden was placed on those elements of trade policy—such as the trade commissioner service—directed towards the opening of new markets.

There were several elements of the threat to Australia's share of European imports in the first half of the 1960s. As noted, the first and most obvious was the United Kingdom's ambition to join the EEC. The second was the decline in Australia's share of United Kingdom imports, a decline that gathered momentum in the early 1960s and was due in part to the partial displacement of traditional imports by European and United Kingdom producers. The third was the reduction of preferential entry into the United Kingdom as a result of the Kennedy Round of trade negotiations, initiated in Geneva in 1964. The Kennedy Round envisaged a progressive reduction of tariffs among industrial countries and, at the same time, a paring back of preferential arrangements—an object of American policy since the 1930s. The fourth was a less direct challenge to Australian interests but required careful watching. The United Nations Conference on Trade and Development (UNCTAD) was also held in Geneva in 1964 and had as its objective the promotion of international trade so as to accelerate economic development among countries at different stages of development. UNCTAD became a continuing organ of the United Nations and sought to promote its goals by the development of trade policies and agreements.

These developments provoked a rearrangement of senior trade representation in Europe. As noted, George Warwick Smith had been appointed as special commercial advisor in 1958 with overall responsibility

for trade policy, promotion and publicity in London, and also with the task of leading trade policy discussions with the EEC. In this the trade commissioner in Paris assisted him. Gilbert Phillips replaced Warwick Smith in 1961, but it was becoming clear that the attempt to manage the range of European trade policy issues from London was no longer tenable. When Phillips returned to Canberra in 1964, the position of special commercial advisor was temporarily discontinued and the trade policy posts in Brussels and Geneva were created.

The new policy posts in Brussels and Geneva were to be filled at the level of minister (commercial), the most senior designation within the trade commissioner service. Patrick Donovan was selected as the minister designate. Donovan was a former professor of commercial law at the University of Melbourne and an expert in contract law. His previous appointment was in Rome, where he was commercial counsellor and trade commissioner with special responsibility for the FAO. Initially it was thought that Donovan would divide his time between Geneva and Brussels. In the event, attendance in Geneva was the more pressing assignment because of the UNCTAD conference.

The appointment of a minister (commercial) as a member of a senior, and sensitive, Australian mission produced some anxiety within the Department of External Affairs. The concern was based partly on the seniority of the new position and partly on the traditional External Affairs view that Trade officials were inclined to behave like mavericks and show little respect for the established protocol that allocated overall authority and responsibility to the ambassador.



Members of the Australian Overseas Trade Publicity Committee at the North German fruit auctions, during a visit to Germany, 1963. (Back L–R: R.K. Scott, N. Carroll, E.D. Letts, A.T. Carmody, F.P. Donovan; Front: A. Wood.) [DEPARTMENT OF FOREIGN AFFAIRS AND TRADE]

While there was some justification in the External Affairs wariness, it was also part of the drawn-out interdepartmental skirmishing that has been described on previous occasions.

In this instance the issue was resolved by means of a formal agreement between the two departments that defined the relationship between the ambassador to the EEC and the commercial minister. Essentially the agreement reaffirmed the requirement that the ambassador exercise overall responsibility, but there were provisions that would enable the minister (commercial) to have access to relevant EEC commissioners and senior officials. A concession on the part of External Affairs was that the minister (commercial) would act as head of mission in the absence of the ambassador, thus modifying the usual rule that required the next most senior diplomat to act in this capacity.²⁸

As Australia's interest in the EEC was overwhelmingly commercial, it was anomalous that two senior officers were found necessary to undertake the task. This reflected the lack of a unified foreign service and the conviction by the Department of Trade that diplomats were not technically equipped to conduct complex commercial negotiations

After two years in Geneva, Donovan transferred to Brussels in 1966. He spent two years in the EEC position, five years as special commercial advisor in London, followed by a further four years in Brussels. He was then appointed ambassador to the Organisation for Economic Co-operation and Development (OECD) in Paris. Despite this wealth of experience, it was always difficult for Australia to make negotiated gains, particularly in the sphere of its greatest interest—the common agricultural policy. Nevertheless, it was essential that the diplomatic pressure be maintained.

The creation of two trade policy posts in Europe did little to relieve the workload in London. Headed by either a special commercial advisor or a senior trade commissioner, London continued to be the largest overseas trade post, covering a wide range of activities. In the mid-1960s, for example, senior staffing was composed of six commissioners as follows:

- senior trade commissioner H.K.H. Cook
- trade commissioner (publicity) K.H. Jarvie
- senior trade relations officer J. Makowski
- trade commissioner (minerals) R.K. Harding
- trade commissioner (agriculture) A.G. Bollen
- assistant trade commissioner B.W. Shanahan

The range of tasks was broad and included trade publicity and promotion; trade relations; participation in the work of international commodity agreements such as the wheat, sugar and tin agreements; participation in the wool study group; supervision of the United Kingdom–Australia trade

agreement; conduct of market surveys; management of in-store promotions; the provision of support for British investment in Australia; the conduct of regular tours of the trade commissioner's designated territory, which included Ireland; and attention to many other detailed matters such as the usual support for visiting Australian dignitaries. For these tasks, the accommodation provided in Australia House continued to be unsatisfactory, and there was renewed discussion about the possibility of new and more-suitable premises.

The clear directive to the team in London was to stem the relative slide in Australia's exports to the United Kingdom and, if possible, reverse the trend. This is one of the clearest examples of the defensive strategy at work. Assisted by a small improvement in the terms of trade, the strategy was modestly successful in the first half of the 1960s. Exports of goods to the United Kingdom in terms of value increased marginally from £232 million in 1960/61 to £237 million in 1965/66. Largely because of the rapid growth in exports to Japan and South-East Asia, however, the relative decline in the importance of the United Kingdom continued, albeit at a slower pace than in the 1950s. Over the same five-year period, exports to the United Kingdom as a proportion of total exports declined from 23.9 per cent to 17.4 per cent. Over the next decade the relative decline accelerated so that, by the mid-1970s, the United Kingdom received only 4 to 5 per cent of Australian exports. For a complex of reasons, including Britain's entry into the EEC in 1973, the decline of the



Australian High Commissioner to the United Kingdom, Sir Alexander Downer, meets members of the Australian Trade Publicity Girls Team at an Australian Trade Show in Glasgow, 1966. (L–R: 'Golden Girls', Trade Commissioner, D.R. Cristofani, Lady Downer, Sir Alexander Downer, H.L. Cross and Brian Shanahan, Assistant Trade Commissioner.)

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woollen industries in the United Kingdom, intense competition from subsidised agricultural producers in Europe and the United States, and Australia's continued reliance on a narrow range of bulk commodities, in these years Australia lost its historic role as a major supplier of food and raw materials to the mother country. Obviously trade commissioners were in no position to counter such powerful changes in the pattern of world trade.

It will be recalled that trade promotion posts within the EEC were located in Paris, Rome and Bonn. In addition, a post in Stockholm had been opened with a view to exploring opportunities east of the Iron Curtain as well as in Scandinavia. The three posts in the EEC were involved to a significant degree in policy as well as in trade promotion. Thus, as we have noted, trade promotion on the Continent was thin on the ground.

This was acknowledged in Canberra. For several years in the early 1960s options were under consideration for the strengthening of trade representation in northern Europe. There was an urgent need to lessen the pressure on the trade commissioner in Bonn. With its rapid post-war economic recovery, West Germany had become an important market for Australian wool, fresh and canned fruit, flour and whole grains, frozen meat and butter. After 1957 the Federal Republic was able to ease import restrictions, and it was possible to negotiate several bilateral trade agreements, the most important of which offered liberal access for Australian flour and set up an anti-dumping provision that restrained Germany from dumping flour in traditional Australian markets. The trade commissioner in Bonn between 1958 and 1965, Keith Scott, was also kept busy with the emerging trade restrictions that were imposed progressively by the EEC. Trade fairs, such as the Hanover Fair, perhaps the greatest industrial showplace, and the Frankfurt Book Fair of 1965, absorbed a great deal of time. At the conclusion of his seven years in the Federal Republic, Scott thought that he might be regarded as a 'Trade Fair specialist'.²⁹

In addition to the Federal Republic of Germany, Scott was responsible for the Netherlands, Austria, Switzerland and West Berlin. Despite its proximity to the great wine-producing regions of France and Germany, the office in Bonn was successful in introducing Australian wine into Switzerland. Unorthodox methods were employed, as explained by the assistant trade commissioner, E.D. 'Mick' Letts:

Wine in barrels was allowed into Switzerland only from countries having a bilateral trade agreement with the Swiss. The conditions attached to such an agreement did not suit Australia's book. We therefore had the wine shipped to North German ports, overland to a wholesaler in Radolfzell on the German-Swiss border, filled into $\frac{3}{4}$ litre bottles, and entered through Swiss customs in the permitted packaging.³⁰

The trade commissioner located in Bonn was not well placed to support Australian trade in the resurgent commercial cities of the north such as Amsterdam, Rotterdam and Hamburg. But how best to proceed? Advice was received from Sir Edwin McCarthy, Australian ambassador to the EEC and to Belgium and the Netherlands, that Rotterdam should be the preferred location of a new trade post. From a purely commercial point of view this was sound advice, as Rotterdam was a dynamic port city and the entrepot of Europe. The intention was to attach the commissioner to the Australian embassy in The Hague as commercial counsellor but to open an office in Rotterdam where most of the business would be conducted. To Australian eyes the short distance between the two cities would enable the two offices to act as a single entity.

The Dutch government had other ideas. For some years it had been attempting to concentrate all diplomatic posts in The Hague rather than having them scattered in various parts of the country, and it was not about to break the rule for Australia. After lengthy procrastination Canberra accepted that the post must be located in the Dutch capital, but Westerman's instructions were that the office in The Hague should be a 'front' and that the commissioner should 'travel to Amsterdam or Rotterdam virtually daily to work at the sub-office'.³¹ Even this was not permitted and the Australian embassy provided the only official location for the commissioner in the Netherlands.

Before we proceed with the narrative, an anecdote involving Westerman in The Hague is worth a brief diversion:

On being conducted into the executive suite of a Dutch ministry, Sir Alan was introduced to his opposite number who turned out to be a Dr O'Brien. 'You know, if you don't mind me saying so' quipped Sir Alan, ready as always to break the ice with a smile 'Dr O'Brien is a helluva name for a Dutchman'.

Unsmiling, Mijnheer pulled open his desk drawer, lifted out a heavy Hague telephone directory, flipped over to the back and placed open pages deliberately in front of his guest.

'Vesterman', he intoned, 'dat's a hell of a name for an Australian!'³²

Michael Long opened the trade office in the Dutch capital in mid-1964. Long, an accountant by training with a commercial background, had served previously as assistant commissioner in Paris and Rome. The Dutch market for Australian goods was comparatively small at £4 million to £5 million per annum in the mid-1960s. It was also growing strongly, by 10 to 20 per cent per annum. Competition, however, was intense. Wool was not a major export because of the Dutch preference for coarse fibre from New Zealand and South

America. Substantial Australian exports included copper, aluminium and lead, a range of untreated ores, foodstuffs such as cereals and dried fruit, and a small quantity of machinery and transport equipment. The Sydney-based clothing manufacturer Anthony Squires Pty Ltd won a significant order in 1965 for lightweight pure wool men's suits. Australia also made modest sales of dried fruit, but the major suppliers were from Spain, Greece and Israel. In pome fruit Australia was unable to make much headway against competition from Argentina. In other EEC countries, growth in demand for Australian goods slowed as trade barriers were progressively erected against non-community products.

Even though the Dutch post reduced some of the pressure on Bonn, there was a strong case for additional support in one of the north German ports. The decision was taken in 1964 to establish a new German post in the thriving port city of Hamburg. Terrence (known as Terry) Cronin, a recent recruit to the trade commissioner service from the private sector, opened the post. Cronin had served previously as an assistant commissioner in London. In the division of tasks between Bonn and Hamburg, he was allocated responsibility for trade inquiries for Australian foodstuffs and manufactures, and was expected to assist in the preparation of commodity surveys, organise trade fairs as allocated by Bonn, and report directly to Canberra on shipping and warehousing that might affect Australian trading interests. In addition to policy matters, Bonn would concentrate on bulk commodities.

*Overseas
Trade Publicity
Committee
meeting in
Hamburg, 1969
(Chairman
W.A. McKinnon
is standing.
Seated L–R:
C.E. Critchley,
E.D. Letts,
E.G. Roberts,
L. Adams,
H.M. McArthur
and J.L. Shute).*
[DEPARTMENT OF
FOREIGN AFFAIRS
AND TRADE]



The Hamburg post soon became one of the busiest and most important in Europe. The commissioner combined the role of consul with the trade work; as consul he handled immigration matters. Hamburg was pivotal to Australian–German trade because it was the centre, with Bremen, of wool

processing; Bremen was the entry point for apples and pears from the Southern Hemisphere; Hamburg was the centre of the German grain traders association, the home of almost all the agents for the import of canned and dried fruit and the trading centre for imported meat and meat products. In short, the city was the nerve centre for the bulk of German imports from Australia.

Reflecting the importance of Europe's second largest port, the Hamburg office received a growing volume of Australian visitors. In 1968, Mick Letts, who was now the commissioner (and also consul general), estimated that the office received an average of sixty trade visitors per month, and there were an additional forty non-trade visitors per month. He noted tartly that a few were there for only twenty minutes to bolster their double-deductibility taxation claim.³³ The office was also responsible for the support of marketing boards in the region, and the provision of assistance to officials who arrived via London. Commissioner Letts judged that the demand for information on the canned-fruit market was the most persistent:



Trade Commissioner Mick Letts with a load of Australian apples in Hamburg, 1969. [MICK LETTS]

There is a certain routine about the peak periods when urgent market information is required, e.g. the time for US price releases in July-August, the South African forward sales movements September-October, the nervous period from New Year to February-March before Australia's opening, and then the main burst of Southern Hemisphere selling and shipping to mid-year.³⁴

Hamburg was also responsible for commodity promotional campaigns in Germany, and for the conduct of commodity surveys. Such responsibilities were common to many posts around the globe, but there was an intensity of work at Hamburg that was matched by few others.

The growing regulatory demands of the EEC, for example, required commissioners to exercise constant vigilance. A small although telling example was the representational pressure that was applied to the German authorities to allow the use of sulphur dioxide in certain preserved foodstuffs. This resulted in a modified ordinance that allowed the marketing of ginger syrup, glacé and dried fruit in Germany, and also abandonment of a proposed proclamation that such items were 'not suitable for consumption raw'. Interventions of

this kind were small in the broader scheme of things but, when multiplied a thousandfold, were vital for the commercial survival of many items of export.

Constant vigilance was also required to maintain Australia's share of the German market for dried vine fruits. The product of Greece and Turkey was highly competitive in terms of price, and enjoyed the advantage of geographical proximity and an association with Europe. A vigorous promotional campaign,

*Mick Letts
selling
Australian
sultanas to
European
customers at the
IKOFA Trade
Fair in Munich,
1967.
[MICK LETTS]*



mounted by the trade commissioner in association with the London representative of the Dried Fruits Board, restored Australia's market share after disastrous seasonal conditions in 1969 limited supplies available for export.

At the time that the strengthening of trade representation in northern Europe was in progress, the Department of Trade was taking a fresh look at opportunities to the east of the Iron Curtain. A tactical shift had been under periodic consideration for several years, but was accelerated in the early 1960s by the actual and prospective loss of market share under the influence of the EEC. The new thinking was that a trade commissioner would be appointed, probably based in Vienna, who would become a specialist in the idiosyncratic requirements of trade with the Soviet bloc. In the first instance the main target countries were Czechoslovakia and Poland as well as Austria itself.

The initiative required close cooperation between Trade and External Affairs. A Department of Trade stipulation was that for security reasons the trade commissioner and staff should have full diplomatic protection, including the issue of a diplomatic passport. As noted, External Affairs was not ready to establish an embassy in Austria in the late 1950s. This was one reason why the Stockholm option was utilised. By the 1960s, External Affairs was willing to proceed and an Australian embassy in Vienna was established in 1966.

Despite the delay in establishing an embassy in Austria, Cabinet authorised the creation of a trade post in Vienna in 1963; the position was occupied the following year. The commissioner was accredited to Vienna, Belgrade and Moscow. The person selected for the task was Rudi Schneemann, one of Australia's most remarkable trade commissioners, who was ideally equipped to represent his adopted country in the Soviet Union and its satellites.

Schneemann was born in the Netherlands and was a graduate of Utrecht University, where he read political science. In the latter half of the war he was a full-time member of the Dutch resistance movement and was responsible for the transport, storage and distribution of all arms dropped by the Allies in the Amsterdam region. At the end of the war he was appointed a district officer in the Netherlands East Indies and, after two years, he was appointed assistant trade commissioner of the Netherlands government in Singapore. His team of trade commissioners, commodity experts and detectives successfully gained control of a rubber-smuggling racket from Sumatra and Borneo to Singapore that was costing the Dutch colonial government dearly.

After Indonesian independence Schneemann joined the new government and was appointed the trade commissioner for Indonesia in Australia. John Crawford recruited him to the Australian service in 1953 after completion of his three-year Indonesian contract. In line with his European heritage, he was an accomplished linguist possessing fluency in Dutch, German and English, and competence in Russian, other Slavonic languages and Javanese.

His early appointments were as assistant commissioner in Bonn and Rome, and commissioner in Hong Kong and Bangkok before his posting to Vienna.³⁵ In these roles he demonstrated the qualities of a first-class trade commissioner: strength of personality and the capacity for independence of thought and action. Schneemann completed his career as Australian ambassador to Brazil from 1978 to 1982.

Government representation was essential in dealing with trade (and other) issues within the Soviet system. Communist governments would only deal on a government-to-government basis, and thus the involvement of the ambassador and/or the senior trade representative was *sine qua non*. Trade negotiations were slow and difficult. Soviet bloc countries were invariably in external payments deficit with Western countries, and their standard negotiating tactic was to argue for bilateral trade balance. This usually meant being asked to accept manufactured goods that were not required and were below standard.

Despite these constraints, there were useful export opportunities for Australian commodities. Bill Morrison, first secretary in the Australian embassy, Moscow, and a future minister in the Whitlam government, provided a positive assessment of the prospects for increasing trade with the Soviet Union. The main point was that Khrushchev's foreign policy was based on 'peaceful coexistence', and that it was no longer ideologically unsound to engage in trade with the non-communist world. Long-term commodity agreements were being concluded with a number of Western countries, and payment was being arranged in convertible currency rather than by the earlier barter agreements—although a blend of the two methods was often employed.³⁶

Australian exports to the Soviet Union, composed almost entirely of wool, were highly variable in the 1940s and 1950s. At the end of the 1940s Australia sold wool to the Soviet Union to the value of £11 million to £12 million. But sales fell to negligible proportions as a result of the strains leading to the defection of Vladimir Petrov in 1954. Driven by the industrialisation of the Soviet bloc, exports recovered strongly to around £11 million per annum in the early 1960s. In addition, exports to Poland and Czechoslovakia were in total of the order of £20 million annually. Imports from the region were modest and comprised mainly fish, timber, fur skins and some metals. The balance of trade was overwhelmingly in Australia's favour, and this was used as a bargaining chip by all Soviet bloc countries.

Schneemann soon found himself in the midst of a series of trade negotiations. The Soviet Union had been keen for a trade agreement with Australia for some time, partly as a way of strengthening government-to-government relations and partly as a way of placing pressure on Australia to improve bilateral balance. It was Australia's first official commercial encounter with the Soviet Union. Westerman was the leader of the Australian delegation. The year was 1965, and Schneemann captures the tone of the encounter tellingly:

The mornings were reserved for negotiations between the two delegations ... and the afternoons—after lunch—for preparing our next morning's approach.

So it was important for us to have plenty of time in the afternoons and, therefore, to make lunch quick and snappy.

However, we had not reckoned with the Soviet System. Although we enjoyed top-ranking with an Australian flag on our table signifying we were Delegacia, the waiters were conspicuously disinterested in even showing us the menu and their subsequent performance was exasperatingly slow so that even the simplest of lunches took the Australian Delegation some two and a half hours, thus eating into that precious afternoon.

So we decided to try out the effectiveness of 'the facilities' which we felt would certainly be available to our leader's apartment, for the purpose of gently conveying our message of fair-play to the Soviet authorities.

In true Aussie fashion we usually were invited by Sir Alan to his apartment for a drink and a chat after our afternoon's work and before dinner.

After some four days of frustrating luncheon experiences we decided to devote a substantial part of our get-together in Sir Alan's apartment to voicing—slowly,

clearly and loudly—our disappointment about the service in the best hotel of the USSR [the Metropole].

The result—next day and the following days—was miraculously positive. Before we were seated three waiters attacked us with menus and lunch was put on the table within minutes after our order. The two and a half hours' were reduced to thirty or forty-five minutes.³⁷

The trade agreement with the Soviet Union did little more than formalise bilateral trade between the two countries by according most-favoured-nation treatment to the exports of the other nation.³⁸

With the further industrialisation of the Soviet Union, demand for Australian bulk commodities—mainly wool and wheat—accelerated in the late 1960s and through the 1970s. The value of Australian exports increased to in excess of \$200 million by the mid-1970s, and was continuing to accelerate prior to the diplomatic rupture occasioned by the USSR's invasion of Afghanistan in 1979.

This rapid expansion of trade with the Soviet bloc went some way to replace the loss of markets in the United Kingdom and the European Economic Community. The expansion was achieved despite the heavily favourable balance in Australia's favour, frequently in the ratio of thirty to one. Eventually USSR officials conceded that this was as much a Soviet as an Australian problem.

Trade commissioners and other government officials lubricated the development of such a significant new market in important ways. Following the pioneering work by Schneemann in most Soviet bloc countries,³⁹ consideration of trade arrangements was the responsibility of a joint Australia–Soviet Union trade committee, subsequently styled the Australia–Soviet Union Mixed Commission on Trade and Economic Development. This was an elaborate government-to-government vehicle but it also included commercial and semi-commercial interests from both sides. The mixed commission, the first meeting of which was held in Moscow between 27 September and 1 October 1973, absorbed vast amounts of time, but was a necessary part of the Soviet way of doing things. All trade matters were presented to and endorsed by the mixed commission; trade commissioners managed the elaborate process on a day-to-day basis. This was, of course, very different from the free-ranging role of a commissioner in a free-enterprise market.

To complete the round-up of European initiatives, we should note the creation of a post in Athens in July 1962. As discussed earlier, the post in Athens was established primarily as a way of strengthening the Department of Trade's strategy for the eastern Mediterranean, and only partly as a way of exploring market opportunities in Greece. The trade commissioner in

Athens was allocated responsibility for Cyprus, Israel and Turkey as well as for Greece.

Donald Crawford, previously commissioner in Manila, opened the post. Despite the unfamiliarity with Australian product, and the competition between Australia, Greece and Turkey in dried fruit, the results were encouraging. In Greece the main export items were chilled lamb and, to a lesser degree, a range of manufactured goods such as irrigation equipment. In the case of meat, growth of the trade was constrained by the inability of Australia to meet the demand in full and, in the case of manufactures, by high Australian prices and by restrictions in credit terms. In 1962/63 exports to Greece amounted to £1.75 million on a rising trend.

At one level Turkey was a larger and more promising market, although the economy was heavily dependent on international financial assistance and was subject to erratic shifts in the level of activity. In 1962/63 Australian exports to Turkey amounted to a healthy £8.4 million, a 53 per cent increase on the previous year. Manufactures such as road-making equipment, motor vehicles and sporting goods comprised the main items of export. Crawford's assessment was that the market could be extended if Australia was willing to participate in the Izmir trade fair that had a large impact throughout Turkey.⁴⁰ In the case of Cyprus and Israel, the markets were tiny and the prospects for development were hindered by the lack of direct shipping links.

As has been indicated throughout this section, Australian exports to Europe struggled in the first half of the 1960s, and the trend continued in the second half of the decade and through the 1970s. Propelled as it was by the introverted trends within the EEC and the United Kingdom's determination to join if at all possible, the Department of Trade accepted reluctantly that the trend was likely to continue. The strengthening of the trade commissioner network in Europe was necessary and overdue, but—with the exception of the drive into the Soviet bloc—the primary intention of the network was to slow the rate of decline. Trade's strategy was to buy time pending, hopefully, the development of new markets. Australia was fortunate that the acceleration in exports to Japan, and elsewhere in Asia, was able to replace the loss of markets in Europe.

Asia to the rescue

We have recounted in earlier chapters the emergence of Japan as one of Australia's more important trading partners, at first in the mid-1930s, before the disastrous trade-diversion episode, and then in the 1950s as the post-war recovery of Japan gathered momentum. But it was in the 1960s that Australia–Japan trade reached a new dimension (Table 7.4). During the decade the

(nominal) value of Australia's exports to Japan increased by a factor of 3.8, and Japan displaced the United Kingdom as Australia's most important trading partner in 1966/67.

The treaty of commerce between the two countries played an important facilitating role, but the main drivers of trade expansion were Japan's rapid industrial growth and dependence on imported raw materials, and Australia's capacity to supply at competitive prices. The capacity of Australia to supply was greatly enhanced by the extraordinary mineral and coal discoveries in the mid-1960s. In short, Australia and Japan were already highly complementary trade partners in mid-century, and would become more so over time.

As Table 7.4 indicates, growth in the remainder of Asia was more subdued, but was still significant, with important contributions from the People's Republic of China, Hong Kong, Malaysia, Singapore, Taiwan and Thailand. An alternative way of indicating the sea change that had occurred in the direction of Australian exports is to report that the value of exports to Asia in 1969/70 exceeded the total of exports to the United Kingdom, the EEC and the United States combined.

Table 7.4 Australia: exports to Japan and South-East Asia, 1959/60 to 1969/70

Year	Japan (\$m)	South-East Asia (\$m)	Total Asia (\$m)	As proportion of total exports (per cent)
1959/60	269	157	426	22.7
1960/61	323	172	495	25.6
1961/62	374	209	583	27.1
1962/63	346	208	554	25.8
1963/64	488	233	721	25.9
1964/65	441	280	721	27.2
1965/66	470	268	738	27.1
1966/67	586	410	996	33.0
1967/68	642	398	1,040	34.2
1968/69	832	404	1,236	36.7
1969/70	1035	510	1,545	37.3

Source: Norton and Aylmer, *Australian Economic Statistics I*, Table 1.4.

The role of the trade commissioners in Tokyo was to manage the bilateral relationship at the Japanese end and to be responsible for in-country trade promotion and publicity. The commerce agreement dominated the policy work of the post. It required the development of close relations with Japanese officials, and the monitoring of the pattern of Japanese exports to Australia. Under the agreement, Japanese exports were to be restrained to prevent damage to Australian manufacturers. This required delicate handling even though the Japanese were, for the most part, willing to accommodate the Australian position.

By the early 1960s the Australia–Japan trade relationship had ‘flattened out’, to employ a phrase that was used at the time. The meaning of this was that the relationship had evolved to the point of normality: the anxieties of manufacturers and trade unionists had been largely assuaged by the responsible way in which the Japanese had conducted the relationship. A special tariff reference, the mechanism that was available to guard against a flood of cheap imports, was used only occasionally. In short, the relationship resembled those with other countries to which Australia granted most-favoured-nation status.

The commercial agreement was reviewed in 1963 with a view to achieving simplification and more general applicability. Japan was keen for the removal of Article V, which enabled Australia to take immediate protective action in the event of disruptive imports from Japan. For its part Australia sought greater market access, particularly for foodstuffs. The upshot was a reasonable compromise: Japan was granted full GATT status and it was to receive reasonable notice of any protective action. In return Australia was accorded improved access for wheat, sugar, canned meat and dairy-product exports, equal treatment for wool exports in relation to cotton, and most-favoured-nation treatment for barley exports. It also agreed to voluntary restraint of exports in ‘difficult cases’.

Senior commissioners were selected to lead a relatively large team in Tokyo that included several minerals positions. For most of the 1960s the post was headed by two experienced men—Philip Searcy (1962–1965) and Desmond McSweeney (1966–1971). Tokyo was Searcy’s fourth posting, following previous experience in Europe and Asia. McSweeney, who was appointed as minister (commercial), was a graduate of the Royal Military College, Duntroon, whose early career was as an officer in the AIF, including a period in Japan immediately after World War II. As a trade commissioner his previous postings were in Colombo and Wellington. Trade relations in Japan were sufficiently complex to justify longer postings for successful commissioners. The standard period of a posting remained three years but, in the case of Japan, this was extended to four or five years.

By the early 1960s it had become clear that the Tokyo post was struggling to cope with the volume of Australia–Japan trade and the demands of managing the trade agreement. With only three trade commissioners, Tokyo was understaffed in comparison with most other posts of comparable importance. In 1963 Cabinet agreed to open a post in Osaka to support exports to the Kansai area, which comprised the prefectures of Osaka, Kyoto, Hyogo, Nara, Shiga and Wakayama. This was the most important commercial region outside Tokyo and was the centre of textile manufacturing and much heavy industry.

There was a delay in opening the post, but Arnold Schrape was eventually able to do so at the end of 1965. Previously Schrape had experienced the challenge of three years as an assistant commissioner in Accra. Opening in Osaka was a challenge of an entirely different kind. There were considerable demands in the form of language, the culture of Japanese business etiquette, and even the difficulties of finding one’s way around Japanese cities. But, most of all, the rapid growth in Australian business interest in the Kansai, and the dependence of business visitors on the trade commissioner and his staff, placed a heavy burden on the office.

A feature of trade promotion in Japan was participation in the annual international trade fair that alternated between Tokyo and Osaka. In 1964 the fair was held in Osaka for three weeks in the month of April. The Australian pavilion was the largest at the fair and included a record number of Australian exhibits—many of them staffed by Australian-



Senior Trade Commissioner in Japan, D.F.J. McSweeney (C), with Sir Alan Brown, Australian Ambassador to Japan (R), at an Australian promotion in the Isetan Store, Tokyo, 1966. [AUSTRADE]

based participants. Around 1,000 Australian visitors attended.

The Australian pavilion was well received and attracted a throng on every day. In all some 117 Australian firms exhibited. Of particular interest were the special features such as opal polishing by a Japanese lapidarist, Japanese models displaying Australian fashion garments and food demonstrations using Australian ingredients to prepare Japanese delicacies. A great deal of business was written, although the amount is impossible to quantify.⁴¹ Probably the most

important result, however, was the involvement of Australian business people in one of the world's most important commercial events. Remembering that the fair was held less than nineteen years after the end of the war in the Pacific, there was criticism in Australia that the country should participate at all. In the event it was an important early step in the internationalisation of Australian business beyond the confines of the Anglo-American world.

The People's Republic of China was not yet an engine of export expansion but, in the late 1950s, it emerged as a challenging and potentially important market for Australian bulk commodities. The trade was laced with political and commercial sensitivities. The communist regime in Peking was not recognised by Australia, and there were worries in parts of the government and the community generally that trade with China would amount to de facto recognition. After all the United States had imposed an embargo on trade with the PRC.

In the event, Australia adopted a pragmatic approach, driven as it was by the imperative of export expansion. But this was not simply the triumph of economic necessity over ideology. The government was intent on picking its way through the minefield by taking advantage of the trade opportunity and at the same time maintaining reasonable ideological purity. In this task the trade commissioner in Hong Kong played an important role as facilitator.

The first tentative step in establishing a trade relationship with the PRC was taken in 1956, when Harry Menzies, as trade commissioner in Hong Kong, visited Peking and a number of southern Chinese cities at the invitation of the National Import–Export Corporation. There was no specific agenda: the talks were purely exploratory. But it appeared that, at the end of the PRC's first Five-Year Plan, there were opportunities for the sale of foodstuffs, wool and perhaps agricultural machinery. Some wool had been sold to China after 1949, but the quantities were modest and often took the form of wool tops processed in the United Kingdom.

*Trade
Commissioner
in Hong
Kong, H.C.
Menzies and
Mrs Menzies,
with Chou
En-lai, Peking
[Beijing], 1956.
[DEPARTMENT OF
FOREIGN AFFAIRS
AND TRADE]*



Menzies was given firm instructions to keep the visit as low-key as possible and avoid any suggestion of an official commitment on the part of the Australian government. The Department of External Affairs, more sensitive than the Department

of Trade about the potential political ramifications, offered the trade commissioner unambiguous guidance:

You should avoid any public statement but if unavoidable then because of the likelihood that your trade discussions will be reported you should ensure that you confine statements to the general context of your trade responsibilities in the whole area. In particular you should avoid giving credence or any semblance of confirmation that you are negotiating an agreement with the Chinese Government.⁴²

Menzies was optimistic about the potential for trade between the two countries and he suggested that a delegation be sent to explore the possibilities. Chou En-lai, the prime minister, appeared interested in the dry-land farming and mechanical harvesting of rice.⁴³ This was before the intensification of 'socialist construction' initiated by the party congress in 1958, and before the Great Leap Forward that plunged the regime into large-scale collectivisation of peasant agriculture. The Great Leap period, which ended in the 'three hard years' (1959–1961) and was associated with ideological militancy and political activism, sharply curtailed relations between the PRC and Western countries. It was not until 1962 that a trade commissioner re-entered China and, on this occasion, the circumstances were quite different.

The 'three hard years', exacerbated as they were by poor weather conditions, were marked by widespread crop failure and political unrest. This was the background to the resumption of Australian exports to China on a significant scale. The trade commissioner in Hong Kong, now George Patterson, was the initial point of contact. In December 1960 Patterson was approached by a representative of the China Resources Company requesting a meeting with Chris Perrett, general manager of the Australian Wheat Board, for an urgent discussion on the supply of wheat to China. Perrett was already in Hong Kong for negotiations on a consignment of wheat to Albania. China had entered into a commitment to supply Albania with wheat, but was now not able to do so from its own production.

The upshot was the initiation of a major new destination for Australian wheat. By February 1961 a large consignment of 1,050,000 tons was on its way to China. Sales were also made of smaller quantities of barley. All sales were for cash. By the request of the Chinese authorities, no publicity was given to the prospective sales until the appropriate number of vessels had been chartered. When the Wheat Board was able to issue a press release, it noted that the sales represented the largest wheat transaction since Prime Minister Billy Hughes sold three million tons to the United Kingdom during World War I.⁴⁴

In this instance, as in most others, the role of the trade commissioner was to provide commercial intelligence, advice, and the cultivation of personal relations (including trust) that was so important in reaching agreement with the Chinese. It was not the role of the commissioner to negotiate on behalf of the Board. The Chinese preference was to negotiate directly with the supplier rather than work through an agent, and Perrett spent much time in Hong Kong in the early 1960s. But the trade commissioner served as the Wheat Board's forward scout in Hong Kong. He provided information on Chinese purchases from Canada and relayed any concerns that the Chinese authorities might have experienced in negotiations with the Board. On-the-spot representation in this instance was essential, particularly when the new customer was suspicious of standard commercial arrangements and relatively inexperienced in the world of international trading.

There was much uncertainty in Canberra as to whether the Chinese wheat trade would be long-term, or whether it should be seen as short-term or episodic, depending on the state of the harvest in China. There was also mild consternation in April 1961 when the China Resources Company indicated that it would be interested in a further one million tons for delivery between July and October. The cause for concern was that the China Resources Company requested credit terms. The Wheat Board was most reluctant, and had no background in acting as a financier. There were also potential political implications. Cash sales were one thing; the granting of credit to a communist country was another. Could this be construed as *de facto* recognition? The evangelically anti-communist Democratic Labor Party, a powerful force in the Senate, was distinctly uncomfortable. Several years later there was even a pointed question by Dean Rusk, US secretary of state in the Kennedy administration, asking whether the granting of credit amounted to the provision of aid to a communist country.⁴⁵ The point was not pressed, but there were some in External Affairs who were concerned that the Australia–United States alliance might be placed under stress.

Nevertheless, pragmatism prevailed. Credit terms were agreed, and sales of around two million tons were made in the first half of the 1960s, the precise quantities depending on the ability of the Wheat Board to supply. The government was even willing to accept Chinese delegations, after having refused on several occasions, so long as the delegates were not accorded official recognition. A valuable new market had been opened, and wheat sales easily eclipsed the sale of non-wheat items (mainly wool): wheat exports were in excess of \$100 million per annum and, in some years, China purchased one-third of Australia's exportable surplus. Australia became the most important foreign supplier of wheat, even eclipsing Canada. Wool was a distant second,

but was on a rising trend. Volatility, however, was inherent in the trade. Unlike Japan's demand for Australian raw materials, it could not be assumed that a long-term relationship had yet been established.

Despite uncertainty about the future, there was a marked increase in traffic between Australia and China in the first half of the 1960s. Sir William Gunn, chairman of the Australian Wool Board, led a small delegation to Peking early in 1964 to enhance wool promotion and invited a Chinese delegation to Australia for technical advice on fibre processing. Patterson was given permission to visit the Canton trade fair in 1962 (but not to extend his visit to Peking) and, subsequently, a growing number of Australians were attracted to spend time in Canton (now Guangzhou). By later standards the traffic was still a trickle, but it marked a turning point in commercial relations between the two countries.

After the initial flurry of activity in 1961–1962, the trade commissioner in Hong Kong reverted to more orthodox activities. Once contact had been established, wheat negotiations were largely conducted between representatives of the Wheat Board and the Chinese authorities. The post in Hong Kong continued to be Australia's commercial listening post into the PRC until recognition of China by the Whitlam government in 1973 and the establishment of a trade post in Beijing shortly after. But Hong Kong's dual role meant the post was among the busiest in Asia. During his debriefing after completing his tour in the colony, Patterson noted that he had received eighteen Australian visitors in a day and that in the last period of his posting in 1962 they were running at the rate of 700 a year.⁴⁶ Australian business was beginning to discover Asia more broadly.⁴⁷

In South and South-East Asia there were ten posts in the early 1960s, one-half of them on the subcontinent (including Ceylon). Few of the countries in which posts were located were drivers of export expansion at the time, although a number were to become important. It is fair to say that Australia was reasonably well represented in the region except that, with the advantage of hindsight, the distribution was unbalanced: there were no posts in Korea or Taiwan. Korea was covered by the Tokyo post (an almost impossible task), and Taiwan from the Philippines (only slightly less impractical). As we shall see, the core problem was the subcontinent, which was overrepresented and in continuing economic crisis. For diplomatic and other reasons it was difficult to close posts, but it is also true that decisions were made slowly. During the 1960s, however, there was a strategic shift to North and East Asia.

Stringent import controls were the core problem facing trade promotion to India in the 1960s. Controls were even tighter than in the 1950s and, despite considerable effort by Australian trade commissioners, the value of exports

was mostly stagnant. The trading environment was made more difficult by India's dependence on foreign aid and the fact that many loans were 'tied': Indian importers were obliged to purchase from the donor country. Rupee payment agreements and barter arrangements further impeded the exchange of goods.

In 1962, for example, Indian imports of raw wool were pegged at about £9 million per annum but, in August of that year, India entered into a barter deal that involved the export of 100,000 tons of manganese ore against the import of 700 tons of terylene fibre to replace the import of Australian wool. The wool import quota was consequently reduced to about £8 million.⁴⁸ Three years later Keith Scott, trade commissioner in New Delhi in 1965–1966, found the commercial situation just as intractable. Shortly after Scott arrived in New Delhi, the India–Pakistan conflict of September 1965 over Kashmir flared up. Foreign aid to India ceased abruptly, precipitating a more intense external payments crisis. One consequence was even greater centralisation of control in New Delhi. Scott explained in his policy review of the New Delhi post in January 1966:

[Pressure on the New Delhi post] could well come back again in an economy where shortage of foreign exchange has led to centralisation of control which looks like continuing for many years to come. This situation needs watching, as it could well justify a later strengthening of the New Delhi Post, perhaps at the expense of cutting down or even closing the Calcutta Post. However, in the meantime there is little free foreign exchange and therefore a limit to what the New Delhi Post can do to influence a trend to more liberal licensing.⁴⁹

*The Straat
Banka Trade
Mission to
Singapore,
Malaysia,
Ceylon, India
and Pakistan,
1961.*

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The events that provoked these remarks precipitated a reconsideration of the level of commitment to the subcontinent. The posts in Bombay and Calcutta were closed, the former in 1967 and the latter a year later.⁵⁰ Colombo also was closed in 1968.⁵¹ Although conditions in Pakistan were even more difficult, the Karachi post was retained to avoid the possibility of appearing to discriminate between India and Pakistan and to maintain a presence in western Asia.⁵²

In South-East Asia the situation was more promising, although weak spots remained. Singapore and Malaya offered the best market prospects. Under the Australia–Malaya trade agreement, commercial relations with Malaya were constructive and Australian exports to the federation were growing at a healthy pace and exceeded £15 million per annum in the early 1960s. As trade commissioner in Kuala Lumpur at the time, Bill Cairns was able to support a relative shift in Australian exports from processed milk and flour to manufactured goods such as machines, metal manufactures and armaments. Through trade publicity and constant attendance on government departments and commercial houses, and with the assistance of two trade missions and the trade ship *Straat Banka* in 1961, Cairns was able to create a favourable climate for trade opportunities and laid the foundations for a healthy bilateral commercial relationship for the remainder of the 1960s.⁵³

In the case of Indonesia the export trade was highly variable and was, as in the past, dominated by flour. The variables were the willingness of other countries to price flour aggressively in the Indonesian market, and the amount and source of foreign aid received by Jakarta. In the early 1960s Australia lost much of its trade to France as a result of aggressive price competition. In the mid-1960s, however, Australia regained her predominance in the Indonesian flour trade and, in 1967, the trade commissioner, Richard Tallboys, was optimistic about the future.⁵⁴ But the Indonesian market remained difficult. Australian business people were reluctant to include Jakarta in the overseas itinerary, and the notorious secret commission system was a marked disincentive.⁵⁵ Despite some promise, Indonesia was not yet the trade driver that Australia craved.

Much the same can be said of the Philippines. Australian exporters made modest progress in the 1960s (around £5 million per annum early in the decade), but the combination of the historical dominance of US exports and the weak external trading position of the Philippines restricted the capacity for trade expansion. This was accentuated by the ‘Filipino First’ policy that sought to divert trade from foreign business houses to those under Filipino control. It was important, however, to maintain a trade post in Manila to press Australia’s position in a highly competitive market.

South Pacific

Before proceeding, we should note the appointment of a trade commissioner for the Pacific islands. We should not, however, regard the Pacific islands as the penumbra of Asia. Taken collectively the region, coinciding broadly with the area represented by the South Pacific Commission, was one of Australia's largest markets, and second only to Japan in the Asia–Pacific hemisphere. In 1960/61 exports amounted to £32.1 million and were growing at the rate of 15 per cent a year. The largest markets were Papua New Guinea, Fiji and New Caledonia, and there were useful markets in the New Hebrides, Solomon Islands, Nauru and the Gilbert and Ellice Islands. With New Zealand, Australia was the main source of supply for the islands in foodstuffs and a wide range of manufactures.

It would be fair to say that the Pacific islands were largely neglected by the Department of Trade until the 1960s. The island countries of the western Pacific were part of the territory of the trade commissioner, Christchurch, in the late 1950s, but visits were necessarily infrequent. There was a trade correspondent in Nadi, Fiji (also the Qantas representative), but the growth in the Pacific island trade had little to do with official support. To a large extent the islands were 'tied' to Australia as a source of supply, partly because of geography and partly because the main trading houses such as Burns Philp & Co. and, W.R. Carpenter and Steamships Trading Co. were based in Sydney.

The Pacific islands were given greater focus by the export drive of the early 1960s. A trade mission was used to stimulate interest in the islands. Sponsored by the Junior Chamber of Commerce in Sydney, some nineteen businessmen visited New Caledonia and Fiji in August 1961 under the leadership of T.H.F. Spalding, managing director of Appleton Industries Ltd and a fluent speaker of French. Donald Walker, who had recently completed his term as trade commissioner, Christchurch, accompanied the mission.

As part of the exercise a special trade commissioner post for the Pacific islands had been approved, and the intention was that Walker would fill the position for about twelve months and would concentrate on following through on the work of the mission. The post was based in the regional office of the Department of Trade in Sydney. The choice of Sydney would seem counterintuitive, but it was the best location until transport within the region improved. In terms of the value of trade, Papua New Guinea was an obvious location, but this could not be considered until after independence. The post was eventually relocated to Suva in 1972.

The Pacific island post was rewarding in a number of respects. The volume of trade expanded rapidly, travel was interesting and occasionally challenging, and there was great cultural diversity within the region. After Walker was posted

to Karachi in 1962, the position was filled by Hugh Sullivan (1962–1966), Bill Carney (1966–1968) and Beryl Wilson (1969–1970). It is no coincidence that the first three Pacific island commissioners had served previously in New Zealand.

A substantial share of the growth in exports was stimulated by Australian government expenditure and private investment in Papua New Guinea, but there were other favourable circumstances. Nauru was still relatively wealthy as a result of the inflow of phosphate royalties. Fiji was largely dependent on Australia for supplies, and this in itself obliged the trade commissioner to handle the anti-Australian feeling there with delicacy. In the central Pacific, Australia was advantaged in Tahiti as a result of ill-will created by French nuclear testing on Mururoa Atoll, although it is also true that trade with French Polynesia was periodically disrupted by the testing. With its rich nickel resources, New Caledonia provided a valuable market despite the mandated bias in favour of French imports. Thus, trade commissioners were able to ride on the coat-tails of growing discretionary expenditure in the larger islands of the Pacific.

North America

The United States was a much-improved market for Australian exporters in the 1960s after the rather dismal performance of the 1950s. In terms of value, exports increased by a factor of almost 3.7 and, by the end of the decade, the United States was a more important trading partner than the United Kingdom and the EEC, and was now second only to Japan. Even so the performance was diminished by the tight restrictions imposed on many Australian rural exports. The underlying difficulty was that Australia and the United States were competitive in a wide range of primary products. Usually the Australians were the more-competitive producers and this resulted in a flurry of restrictions on imports from Australia. The other side of the coin was that United States exports to Australia grew even more rapidly, so that the bilateral balance in favour of the United States increased markedly over the decade (Table 7.5).

With the closure of the Chicago post in 1962, the three remaining posts in the United States (New York, Washington and San Francisco) struggled to make an impact on the world's largest market. Indeed, there continued to be a degree of ambivalence about how best to position the relatively lean resources for trade representation in the country. Chicago had been closed prematurely and probably for the wrong reasons. There continued to be uncertainty about how to deploy resources on the West Coast. After considerable debate a full post was opened in Los Angeles in 1964 although, since 1962, a marketing

officer had been located in Los Angeles and operated as a subpost of San Francisco.

Table 7.5 Australia: trade with the United States, 1959/60 to 1969/70

Year	Exports (\$m)	Imports (\$m)	Trade balance (\$m)
1959/60	152	300	-148
1960/61	145	434	-289
1961/62	218	348	-130
1962/63	266	460	-194
1963/64	281	543	-262
1964/65	264	692	-428
1965/66	338	704	-366
1966/67	359	781	-422
1967/68	403	841	-438
1968/69	408	883	-475
1969/70	556	965	-409

Source: Norton and Alymer, *Australian Economic Statistics I*, Tables 1.4 and 1.6.

The tentative approach to the United States reflected two cardinal propositions. First, market access was the overriding consideration. The quotas imposed on most of Australia's primary commodities constituted the determining factor in the success or otherwise of export penetration. Thus, trade promotion—particularly of commodities—was not likely to be successful unless the door was prised open. Second, there was a degree of pessimism

about the capacity of Australian manufacturers and general exporters to compete in the United States.

This placed most of the burden on the policy post in Washington. In this instance 'policy' is a polite word for lobbying. The main task was to represent Australian

Australian Ambassador to the United States, Sir Keith Waller, at a display of Australian food products in Hecht's Department Store, Washington DC, 1968.

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commercial interests to the administration and Congress and, in doing so, to work closely with the Australian ambassador in Washington. It was a tough task competing with the throng of special interest groups in Washington, and required senior and skilful representation to make an impact. Between 1959 and 1965 Allan Callaghan was the Australian commercial counsellor in Washington, one of Australia's most distinguished agriculturalists, a Rhodes scholar and a former principal of Roseworthy Agricultural College in South Australia. After the completion of his term in Washington, Callaghan was appointed chairman of the Australian Wheat Board. Subsequently the commercial counsellor position was upgraded to that of minister (commercial) and was held on two separate occasions by Jack T. Smith, a senior officer of the Department of Trade and Industry.

The challenge facing the Washington office can be illustrated by reference to meat. During the 1950s Australia secured a significant market in the United States for lower-quality open-range beef because American cattlemen concentrated on the production of grain-fed animals. By 1962 total manufactured-meat exports to the United States amounted to 400,000 tons, of which Australia's share was 257,000 tons.



L–R: J.T. Smith, Head of Australia's delegation to the UN Commission on International Commodity Trade, B. Rankin, Head of Canada's delegation; and R. Livingston, member of Australian delegation, UN New York, 1960. [UN PHOTO ARCHIVE]

In 1963, however, domestic overproduction in the United States emerged, and prices fell sharply. Predictably American cattlemen lobbied for import restrictions. The commercial counsellor was drawn into lengthy negotiations, the upshot of which was that Australia agreed to limit exports in 1964 to 242,000 tons and also to restrict growth in future. In the circumstances this was a reasonable outcome. But it was not sufficient to prevent a legislative intervention: Congress imposed a complicated scheme of restrictions that linked quotas to domestic slaughtering. In the event, the restrictions were not too prohibitive over the next few years, but constant vigilance was essential.

Imports of dairy products were even more restricted. Imports were confined to a mere 1 per cent of total production. Australia's butter quota was nine tons; the quota for milk powder was 1,034 tons and, for cheddar cheese, 1,655 tons. Even at these minimum levels there was a risk of the effective elimination of

Australian imports, largely because of a rise in butter–sugar mixtures from the EEC (imports that were circumventing import controls). In association with the Australian Dairy Produce Board, the commercial counsellor sought to position Australia as an honest player in the American market. While the tactics did not produce startling results, Australia remained a small player to fight another day.

Wool, sugar and even lead and zinc faced similar protectionist moves in the mid-1960s,⁵⁶ and Washington was one of the busiest offices anywhere—competing as it was against many special interest groups that were better resourced. When Jack Smith arrived as minister (commercial) in 1967, he argued successfully for strengthening of the office by the addition of an assistant trade commissioner:

[In] a policy post like this one, the control [of work] is largely in some one else's hands—that is to say, events in Washington of interest to us do not wait the presence or absence of particular persons in the post; and, in assigning work to this office, Canberra similarly cannot move according to the strength of the post at any given time—they have to move at the relevant time. If then someone is absent and something 'breaks' on, say, meat or sugar, we have to move in regardless.⁵⁷

The effectiveness of a policy post such as Washington cannot be judged with any objective precision. In the case of Washington in the 1960s, the role was usually defensive: holding the fort against further import restrictions. What is clearer is a counterfactual: in the absence of persistent trade representation, the outcome would have been worse.

Elsewhere in the United States, New York continued to be important as a location for promoting investment in Australia, for the support of the large number of business and political visitors, for general business inquiries and, after the closure of Chicago, for trade promotion in the Midwest and as far south as Mexico. In his final trade commissioner posting in New York in the first half of the 1960s, Harry Menzies visited Mexico on a regular basis, largely to assess the potential of the country. It was, of course, impractical to support trade promotion in Mexico from New York. As noted in Chapter 8, the decision to establish an embassy in Mexico City in 1967 prompted the formation of a trade post in 1970.

On the West Coast the task of the San Francisco post was to seek to expand the range of exports to the United States beyond the narrow range of bulk commodities. This was not an easy task in view of the strength and diversity of American manufacturing, but there were niche opportunities. These opportunities appeared to be more abundant in Los Angeles and, in 1961,

there was a consensus within the service that a form of trade representation should be located in the southern city. Originally, San Francisco had been favoured as the location of the West Coast post because, at the time, Qantas did not fly into Los Angeles.

The opportunity to make a move was presented when Beryl Wilson moved to Los Angeles after her marriage. Mrs Wilson (née Cowie) had been a highly regarded member of staff of the San Francisco office for ten years, and there was enthusiasm about her appointment as a marketing officer in Los Angeles responsible to the trade commissioner, San Francisco. Her responsibilities included the conduct of market surveys, the investigation of market prospects in response to trade inquiries, the meeting of VIPs on arrival, and provision of office space for visiting Australian businessmen. The office was established in 1962 and, within months, it had become an effective and well-appointed office in a downtown location. There was even discussion of relocating the West Coast office from San Francisco to Los Angeles.⁵⁸

This was the background to the decision in 1964 to establish a full post in Los Angeles. The closure of Chicago released resources for Los Angeles. Beryl Wilson was promoted to the position of assistant trade commissioner, the first appointment of a female to the position. Reflecting a longstanding External Affairs' position, there were grumbles from Sir Howard Beale, Australian ambassador in Washington, that a trade post should not be established outside the framework of a consulate and that if such a post was established in Los Angeles 'it should be converted into a consulate immediately and placed in charge of an External Affairs officer'.⁵⁹ But External Affairs was not ready for such a move, and the post was formed as a pure trade post, as had been the practice so often in the past. In any case, it was unrealistic to expect that Australia's diplomatic requirements were likely to match the emergence of trade opportunities, and it was inappropriate to insist that trade should always be subordinated to diplomacy.

The appointment of a trade commissioner was linked to support provided by the Australian Woollen Textiles Corporation. Following a wool survey mission to the United States and Canada in 1961, the intention was to appoint a trade commissioner with special responsibility for the promotion of wool products. Whether such a specialised appointment located in Los Angeles was sensible is a moot point. The person selected was Alasdair MacRae, whose background was in the textile industry as joint managing director of the swimwear manufacturer Speedo Holdings Ltd and, more recently, as director of Carpet Manufacturers Ltd. MacRae served a single term of three years and was replaced in 1966 by Michael Long, an experienced commissioner whose next appointment was as minister (commercial) in Washington.

Promotion of canned and dried fruit in Canada was one of the eternal verities of the trade commissioner service. And so it continued to be the case in the 1960s. Competition from fruit packers in the United States and Canada was intense, and conduct of publicity and in-store promotion was constant. A new development was the increasing use of private labels by chains such as Safeway and Woodwards, the effect of which was to squeeze margins. It is true that the meat trade was of similar value to that of canned and dried fruit—and that there was a useful trade in wool and sugar—but the products of tree and vine absorbed a disproportionate amount of the time of the trade commissioners, particularly in Vancouver.

The disappointment was that Australia was unable to make significant inroads into the Canadian market despite the signing of a revised trade agreement between the two countries in 1960. The agreement had the effect of maintaining the margin of preference over non-preferred suppliers for such commodities as sugar, meat products, dried fruits, brandy, wine and tallow. The agreement also contained new concessions in the form of free entry of wool, sausage casings and sheepskins. There is no doubt that Canada was supportive of trade with Australia. Even so, in the mid-1960s, imports from Canada were around £54 million annually, compared with Australian exports to Canada of £22 million annually.

The Service in the 1960s

There are those who judge that the trade commissioner service was at its peak in the period covered by this chapter. For the post-war generation of trade commissioners, this assessment had a particular set of meanings. The most important component was independence: most posts were a great distance from the home base, communications were, at least by later standards, slow and in some cases difficult, and the control exercised by Canberra was necessarily limited. Commissioners were required to exercise a high level of operational independence, and this was one of the attractions of the position.

Status was also involved. As we have seen, many commissioners were the sole representatives of their country and combined their trade tasks with that of consul or even consul general. Despite the tedium of endless cocktail parties and official functions, the position conferred standing and it was possible to live with a certain style and, at the same time, make a contribution to the welfare of the nation. This was particularly the case after the improvements to the conditions of service that flowed after 1960.

Changes were in train in the mid-1960s that attenuated the operational independence and standing of commissioners. The changes were slow at first but gathered momentum as time passed. One of these was the improvement

in communications and the speed of travel. Increasingly senior officials from Canberra conducted trade negotiations on a flying visit to the country in question. Visits of inspection were more frequent. Instructions from Canberra flowed constantly and were more demanding, requiring an equally large volume of correspondence in response. With the growth in the diplomatic network abroad, and the improved standing of External Affairs, diplomats were more insistent on asserting their higher authority—although much still depended on personal relationships.

There were also changes in the Department of Trade and Industry that made some commissioners feel unappreciated. While this feeling is a constant in human nature, it is clear that the department grew appreciably in the 1960s and that most of the expansion was related to policy work. Trade commissioners were knowledgeable about particular markets and possessed a wealth of detailed information, but often they felt they were regarded as not being in a position to grasp the ‘big picture’. This irritated when, on return to Australia prior to re-posting, commissioners felt that they were not adequately debriefed and could not attract the interest of senior officers. For those who had enjoyed the patronage of John Crawford and the early Alan Westerman, it seemed that the trade commissioner service was no longer central to the task of export promotion.

Even though much of this was subjective, it contained an element of truth. The framework of trade policy was more complex by the late 1960s and relied less heavily on the trade commissioner service. Even so the service continued to play a crucial role, as is clear from the detail presented in this chapter. In mid-1966 there were forty-three trade commissioner posts in operation and there were posts on every continent. The service had experienced its greatest expansion: it had indeed become global.

8



Calm before the storm

*E.B. Dillon,
Trade
Commissioner
in New Delhi,
1975.
[J.T. SMITH]*

The half-dozen years prior to the election of the Whitlam Labor government in December 1972 were exceptional in the history of the trade commissioner service. For the first time since the service was established, balance-of-payments anxiety was not the driver of policy. There was no lessening in the government's commitment to the service, and expansion and strengthening continued. But the frenetic search for new export opportunities, the hallmark of the first half of the 1960s, was much less in evidence. Even so the trade commissioner service remained central to the program of export promotion. The characteristic of the period was incremental expansion within the framework established in the quarter century after the war, and the strengthening of many existing trade commissioner posts by the appointment of assistant and trainee trade commissioners.

The improved outlook was built on the large-scale mineral discoveries of the mid-1960s, the heavy inflow of overseas investment attracted by those mineral discoveries, and a modest improvement in the country's terms of trade. The discovery of substantial iron ore and nickel sulfide deposits in Western Australia, coal in central Queensland and oil in Bass Strait off the coast of Victoria appeared to transform Australia's economic prospects. The narrow

export base had been broadened appreciably. But the sense of euphoria was short-lived. By the early 1970s there was renewed anxiety about Australia's place in the global economy. The Bretton Woods arrangement that linked the US dollar to gold at a fixed price collapsed in 1971, with consequent instability in exchange rates around the world. One of the anchors of post-war financial policy—exchange rate stability against the British pound and then the US dollar—had been removed, and there followed much policy uncertainty about how to handle the new world of more flexible exchange rates. At the same time, capital movements around the world were larger and more unpredictable, partly because of exchange rate instability and, in Australia's case, because of highly variable capital movements linked to the mineral discoveries. Combined with the oil price shock of 1973, these changes helped to usher in a period of poor export performance, a subject that will be considered in more detail in Chapter 9.

A buoyant economy

Propelled by the initial confidence engendered by the mineral discoveries and the large-scale direct foreign investment in the sector, the half-dozen years from 1966/67 represented one of the most buoyant periods in Australian economic history. On average, GDP in current prices increased at the rate of 10.5 per cent per annum. After allowing for price inflation, the rate of growth of real GDP averaged 4.7 per cent per annum. Unemployment was remarkably low, at 1.7 per cent, although inflation was gathering momentum, rising from 3 per cent per annum in the mid-1960s to almost 7 per cent per annum in 1971/72. The only cloud on the horizon was the emergence of what was described at the time as 'stagflation', the combination of rising inflation (including labour costs) and moderation in the rate of economic growth that had the effect of squeezing corporate profitability.

Despite the broadening of the export base in the late 1960s, export performance was solid rather than impressive. As indicated in Table 8.1, the value of exports grew by substantial amounts but this was only slightly ahead of the growth in the size of the economy. The export ratio (the ratio of exports of goods and services to GDP) had improved by the early 1970s, but it was still less than it had been in the early 1950s. A downward drift in the terms of trade continued to impair export performance, although the impact was not as marked as in the 1950s. Large trade deficits were a matter of concern, but the substantial capital inflow of the period shielded external reserves. Thus, a repetition of 1961/62 was avoided. In short, there was still much to be done to strengthen export performance, although policy discussion avoided the sense of crisis that dominated the early 1960s.

Table 8.1 Export performance, selected indicators, 1966/67 to 1971/72

Year	Exports of goods and services (\$m)	Current account balance (\$m)	Ratio of exports of goods and services to GDP (per cent)
1966/67	3,472	-642	14.7
1967/68	3,690	-1,111	15.0
1968/69	3,962	-962	14.8
1969/70	4,733	-663	16.7
1970/71	5,150	-756	17.4
1971/72	5,576	-304	17.9

Source: Norton and Aylmer, *Australian Economic Statistics: Tables*, Table 6.1.

Forward march

We have in previous chapters discussed the fact that the fortunes of the trade commissioner service were closely linked with the standing of the minister for trade and industry, John McEwen. With the retirement of Prime Minister Menzies in January 1966, McEwen's standing was enhanced even further. Along with Harold Holt, the new prime minister, McEwen had served continuously as a minister for sixteen years, all of them with responsibility for export promotion. With ministerial experience at the end of the 1930s and early 1940s, he was easily the most experienced—and commanding—person in Harold Holt's short-lived government and, indeed, in the government of John Gorton that was appointed in January 1968. By now in his late sixties, McEwen had a more intimate knowledge of his department than any person other than his permanent head, Sir Alan Westerman. It is not surprising, therefore, that McEwen was able to press ahead with development of the trade commissioner service irrespective of the condition of the current account.

The cocktail of trade promotion policies remained largely unchanged. The trade commissioner service continued to be the linchpin of policy, supported by publicity campaigns and participation in trade fairs and exhibitions. Trade missions, however, were used less frequently. We have seen that trade missions were used mostly to explore new territory and to encourage business representatives to consider new markets. Missions were blunt instruments of research and propaganda; while they served their purpose in the early years, their findings were inclined to present a uniformly optimistic picture of trade opportunities. With the growing density of trade posts in the 1960s and improvements in communications, large trade missions were used

more sparingly. In 1968, for example, a chemicals-selling mission of eleven members visited South-East Asia and was convinced, as a result of its tour, that Australian companies could capture a larger share of the market for chemicals, pharmaceuticals and fertiliser.¹ The following year an automotive products mission to southern Africa was supported as part of the quest for improved markets for manufactures.² In general, specialised missions were more productive at this stage of Australia's export development than the omnibus missions of the past.³

From 1967 until the change of government in 1972, Cabinet considered reviews of the trade commissioner service at intervals of about two years. These reviews were conducted largely within the Department of Trade and Industry. They were presented in the form of submissions by the trade minister and invariably took the form of requests for the strengthening of the service and changes in its distribution. Occasionally posts were closed, with the resources redeployed elsewhere. There was no searching examination of the effectiveness of export policy or of the efficiency of the service. Strategic issues were not considered until after the monetary crisis associated with the collapse of the Bretton Woods system in 1971. McEwen's recommendations for expansion of the service were almost invariably accepted. There is no evidence of open Treasury questioning of proposals as there had been in the 1950s. Nor was there detailed consideration of alternative instruments of export promotion such as taxation, tariff or exchange rate changes. Once again the trade commissioners were being asked to carry a disproportionate burden. It was also clear that the trade commissioner service had become an embedded plank of economic policy.

The main features of the Cabinet reviews of the service at this time may be summarised as follows:

- a further strengthening of the service in East Asia with new posts in Taipei and Seoul
- a modest strengthening of the service in the Middle East with new posts in Tehran and Valletta (closed 1973)
(The Cairo post was closed temporarily as a consequence of the Arab–Israeli War of June 1967 and the concomitant closure of the Suez Canal. It was reopened in 1972.)
- a more concerted expansion into Soviet bloc countries by the establishment of posts in Moscow, Warsaw and Belgrade
- a minor strengthening of the service in Western Europe with the opening of posts in Milan and Berne
- the strengthening of the establishment in the Americas with the reopening of the Chicago post, the reopening of the Toronto post after

- more than 30 years, the opening of a post in Mexico City, the opening of a post in São Paulo and the reopening of the post in Santiago
- the transfer of the Pacific islands post from Sydney to Fiji
 - the creation of additional specialist trade commissioner positions such as the trade commissioner (minerals) in Tokyo and trade commissioner (supply) in Washington
 - appointment of additional assistant trade commissioners as a general strengthening strategy and, in particular, the addition of assistants to most single-commissioner posts.

Table 8.2 Trade commissioner posts opened and appointees, 1967–1973

City	Date established	Appointee	Appointment dates
Valetta	1967	E.B. Dillon	1967–71
Taipei	1967	J.M. Allgrove	1967–69
Tehran	1968	N.C. Carroll	1968–72
Milan	1968	D.K.W. Fagg	1968
Mexico City	1969	D.K.W. Fagg	1969–72
Moscow	1972	L. Matheson	1972–73
Seoul	1972	D.J. Fennessy	1972–76
Belgrade	1973	F.V. Street	1973–75
São Paulo	1973	R.J.C.M. Schneemann	1973–77
Warsaw	1973	J.A. Morey	1973–74

Note: Although formally outside the scope of this chapter, the trade posts established in 1973 are included in this table because they were part of the major expansion of the service approved by Cabinet in 1972 before the change of government in December 1972. Not included in the table is the Beijing post, opened in 1973 on the initiative of the Whitlam government (included in Table 9.1). Also not included are five posts that were reopened in this period after lengthy closure, namely Cairo, Cape Town, Chicago, Toronto and Santiago.

This amounted to a continuation of the strategy that had been adopted since World War II and, in particular, since the early 1960s: examination of all potential markets wherever they might be found. This involved maintaining and strengthening the global footprint of trade posts. In particular, after the tentative exploration of Soviet bloc countries with the opening of the trade post in Vienna, a firmer approach was taken in the early 1970s with the opening of three new posts in the communist heartland. In particular,

north-east Asia was an even more important focus, with the continual growth in trade with Japan, the opening of posts in Taipei and Seoul, and a good deal of political uncertainty within the government about how to deal with the growing pressure to afford recognition to the PRC for trade and other reasons. Buoyed by improvement in the export performance to the United States in the late 1960s, added attention was given to the Americas, with new posts in Mexico City and São Paulo, and the reopening of posts in Chicago, Santiago and Toronto. There continued to be uncertainty about how best to proceed with such large and diverse markets. New posts opened in the period are summarised in Table 8.2.

North-East Asia rising

Japan and China, for different reasons, were much on the minds of Australian officials as the 1960s drew to a close. Despite the great mineral and coal discoveries earlier in the decade and the modest improvement in export performance, there were clouds on the horizon that dampened confidence about the future. The greatest threat was posed by the emergence of large trading blocs that posed formidable problems of market access for Australian exports. Foremost among them, of course, was the European Economic Community, and the likelihood that the United Kingdom would be admitted as a member in the near future and, as a consequence, the termination of preferential entry of Australian exports. Even though Australian exports to Britain had fallen to 12 per cent of total exports in the late 1960s, the prospect was a psychological blow to politicians and officials, whose thinking had been moulded by the protection offered by the British preferential system. In addition, it appeared that North America was moving to a degree of commercial exclusivity between the United States and Canada. Further the Soviet bloc had erected a system of trade arrangements through the Council for Mutual Economic Assistance (Comecon) that were designed to achieve a high level of self-sufficiency.

Added to these perceived threats to Australia's place in international commerce was the collapse in the price of wool from 1969 to 1971. In these years the average price of wool fell by 32 per cent, placing many woolgrowers in a precarious financial position and limiting the improvement in Australia's external trading position. Even though wool now represented only 14 per cent of total exports (compared with almost one-half in the 1950s), it was still the largest single export commodity and its rapid decline intensified gloom about export prospects.

These were the influences that fathered a remarkable set of proposals under the rubric 'McEwen Concept'. It is unlikely that McEwen, now in the

final year of his long ministerial career, was the sole author, and the statement lacked the straightforward clarity of his prose. No doubt the ‘concept’ was the product of a number of hands within Trade and Industry. There can be no question, however, that the proposals were characteristic of McEwen’s neo-mercantilist approach to trade policy.

The central idea was that Australia and Japan should develop much closer economic relations based on mutual self-interest. The relationship with Japan was regarded as most satisfactory, driven as it was by a high level of economic complementarity; by 1970/71 Japan purchased 28 per cent of Australia’s exports of goods. Thus, it appeared—at least in McEwen’s eyes—that the relationship could be taken much further.

It could be taken further by a system of ‘contrived preferences’, consistent with GATT rules, by which Australia would have greater access to the Japanese market and would, in turn, ‘contrive a balancing special position’ for Japan in its market. This might be achieved by admitting certain Japanese goods not made in Australia or the United Kingdom on a duty-free basis. It was also proposed that the government could facilitate Japanese participation in Australian industry, particularly so as to secure access to raw materials. More generally, the idea was to create ‘controlled product free trade’ agreements that would, with the consent of GATT, ‘remove duties between [our] two countries but maintain duties against third countries’. It might also be possible to include countries such as Singapore and Indonesia. What this amounted to was the creation of a limited free trade arrangement with the clear intention of achieving greater access in Japan for Australian agricultural commodities. McEwen’s paper concluded:

Our Trade Agreement has done its task. It has been successful beyond our expectations. But we need bold new initiatives if we are to make the kind of contribution to each other’s development which our uniquely complementary circumstances permit.⁴

The paper was handed to Prime Minister Sato Eisaku of Japan, who promised to have the issues studied. Circulation of the paper produced a flurry of activity in Canberra. Cabinet had already given general endorsement to the idea of exploring the possibility of a closer relationship with Japan.⁵ A number of contemporaries interpreted the decision as conferring personal authority on McEwen to explore possibilities. An interdepartmental committee on Japan was established to provide the government with more detailed advice, and Trade and Industry produced a more detailed paper for consideration.⁶

The outcome was something of a damp squib in the sense that the ideas, such as they were, were too radical both for the Japanese and, indeed, for most

Australian officials. The Japanese received the McEwen paper with studious deference, but it soon became clear that they would not be in a position to agree to greater Australian penetration of their market for foodstuffs. During a visit to Australia in April 1971, Kiichi Miyazawa, Minister for International Trade and Industry, explained that Japan was afflicted by an overproduction of rice. It would be necessary to divert rice farmers to beef and dairy production. Because farmers represented 17 per cent of the working population of Japan, it would not be possible to import larger quantities of beef and dairy products. Further, there were concerns about the level of the Australian tariff and the Australian inclination to cling to vestiges of the British preferential system—a system that the Japanese regarded, understandably, as anachronistic.⁷ Clearly, Australia had much more work to do.

*The signing of
the Basic Treaty
of Friendship
between
Australia and
Japan, 1976.*
[DEPARTMENT OF
FOREIGN AFFAIRS
AND TRADE]



Australian departmental consideration of the 'McEwen Concept' was critical of the vague way in which the ideas were described. Trade officials explained that they were under instructions not to be precise about the detail, and that the notion of a free trade area between Australia and Japan was premature and might not be acceptable to the Australian people. Bill McKinnon, the Department of Trade's deputy secretary, admitted that there might have been 'undue haste' in

developing the idea.⁸ There was also concern about overdependence on the Japanese market, the impact of any tariff reduction on Australian industry, and the implications of more substantial Japanese investment in Australia. The Japanese preference was, as a first step, to enter into a treaty of friendship, commerce and navigation to regulate relations between the two countries. This was a large step, implying greater freedom of migration and shipping movement. The potential agenda was almost limitless.

There is no doubt that the push for greater integration with Japan was part of McEwen's personal agenda. It reflected the great success achieved in Australian–Japanese economic relations since the 1957 treaty of commerce between the two countries, and also McEwen's deep mistrust of liberal internationalism in economic affairs. He was convinced that government must always steer the ship. But he left his run too late and it was, in any case, too ambitious. At the end of January 1971, a few weeks before his seventy-first birthday, McEwen announced his retirement from parliament. It had been a remarkable ministerial career: more than twenty years' continuous responsibility for export policy and much else besides, including three weeks as prime minister after the disappearance of Prime Minister Harold Holt on 17 December 1967. In Cabinet McEwen had always been a formidable advocate of his position; after the retirement of Menzies, he was untouchable. It is no wonder that the Labor Party had formed the view that the Trade and Industry portfolio had become synonymous with the interests of the Country Party, a view that was reinforced when John Douglas Anthony, McEwen's successor as leader of the Country Party, was also appointed minister for trade and industry. One of the legacies of such a long period of dominance was that Trade and Industry had accumulated a long list of enemies, both politically, within the bureaucracy, and in terms of policy.

The minister (commercial) and trade commissioner in Tokyo during these discussions, Desmond McSweeney, carried most of the commercial diplomacy with the Ministry of International Trade and Industry and other Japanese agencies. This was much to the annoyance of Gordon Freeth, recently appointed ambassador in Tokyo. Freeth had been briefly minister for external affairs in the Gorton government but had been defeated in the election of October 1969. He had not been regarded as a suitable foreign minister, as his experience had been entirely domestic and he had shown no interest in international affairs;⁹ his appointment as ambassador to Australia's most important trading partner was equally inappropriate.

The difficulty in Tokyo between the ambassador and the trade commissioner was an old one. Freeth felt that, as head of mission, he had not been adequately consulted on a range of issues. The physical separation of embassy and Trade staff added to the tension. Freeth complained of:

pretty definite indications ... that Trade are pursuing policies about which we should be but are not informed and about administrative decisions taken by Trade which clearly affect total Embassy administration about which I am not consulted.

The reference to administration was a reaction to the decision to appoint a trade commissioner (agriculture) and two assistant commissioners to the Tokyo post. As this was a Cabinet decision, it should not have come as a surprise. More specifically on the McEwen Concept:

It is understandable that with the known antipathy between the former Minister for Trade [McEwen] and our former Minister ... of Mr McEwen should have wanted to play a lone hand. But surely at this stage it can be recognized that other Departments particularly our own should have some views and can assist in negotiations.¹⁰

There is no doubt that McEwen was inclined to ‘play a lone hand’, particularly toward the end of his career. It is also true that Trade and Industry had acquired a reputation for independent action, almost a government within a government. In this case, however, Freeth had overreacted. Sir Keith Waller, as secretary of foreign affairs, assured his ambassador that, in Canberra at least, ‘we now have a rather more cooperative relationship with Trade than in the past and we hope that this improvement will gradually extend to our overseas missions’.¹¹ While there might have been a gradual improvement post-McEwen, the episode illustrates the extent to which rivalry between the two departments continued to fester.

*J.D. (Doug)
Anthony,
Minister for
Trade and
Industry,
1971–1972;
Overseas Trade,
1975–1977;
and Trade
and Resources,
1977–1983.
[NATIONAL
ARCHIVES OF
AUSTRALIA]*



The McEwen Concept lingered for a time. Anthony was inclined to pursue some of the ideas, and he made a special visit to Japan in May–June 1971. Improved access for Australian agricultural products continued to be the main agenda item. The most important item on Japan’s agenda was secure access to raw materials, including Japanese involvement in capital investment and infrastructure. On the former, Anthony suggested—following McEwen—that British preferential tariffs, capable of being renegotiated with the British entry into the

European Economic Community, be transferred to Japan, a truly revolutionary idea. The quid pro quo was greatly improved access to Japan for Australian agriculture, a subject of little interest to the Japanese. The most likely outcome was a modest increase in Australia’s meat quota at some time in the future.

While there was little tangible outcome of these discussions, the ministerial visits in 1971 helped to maintain goodwill between the two countries. Australian exports to Japan continued to prosper in the 1970s and, in the middle of the

decade, Japan absorbed one-third of total Australian exports by value. This was fortunate because overall Australian export performance was poor in the 1970s; without Japan Australia would have been in serious external difficulty. Overdependence on the Japanese market was an emerging problem.

Until the late 1960s the Republic of Korea (South Korea) was barely on the radar screens of exporters. Business visits were few and wool represented around 80 per cent of Australian exports. However, growth in the Korean economy had been exceptionally rapid at 12 to 13 per cent per annum in real terms since 1963, so that by the end of the decade a range of opportunities had emerged for the export of beef and live cattle, barley and wheat, iron ore, coking coal, machinery, and consultancy services. With the improvement—indeed opening—of the Korean economy, the number of Australian business visitors increased substantially, so that, by 1971, they were averaging fourteen per month.

Korea had been part of the territory of the trade commissioner in Tokyo. A subpost had been established in Seoul in 1969, staffed by a marketing officer. A full post was opened in 1972 with Desmond Fennessy as commissioner. Fennessy was well equipped for the role. He had served in the Pacific during World War II, and thereafter pursued a career in journalism in Melbourne and London, including a period as editor of *Overseas Trading*. He was also editor of a number of foreign press journals, including *Ashanti Times*. He served as assistant trade commissioner (publicity) in Singapore and subsequently in Kuala Lumpur and Singapore again.

Fennessy was fortunate in the timing of his appointment. Australia was on the cusp of a surge in exports to Korea, led by the rapid industrialisation of the country. In 1966/67, exports to Korea amounted to a modest \$8 million, but by 1971/72 they had reached \$36 million. Over the following six years, the value of trade increased by a factor of seven to \$266 million in 1977/78. The drivers of this expansion were coal and iron ore. The number of business visitors increased rapidly. Korea was acknowledged as a ‘difficult’ market from a cultural and commercial point of view, and the trade commissioner was hard-pressed to support the demands placed on his office. In view of the importance of the trade in minerals, the specialist trade commissioner (minerals) located in Tokyo was accredited to the Australian embassy in Seoul and made regular visits to the Korean capital. With the emergence of Korea as a major market, and also of markets in the two Chinese republics, north-east Asia had emerged as the destination for the bulk of Australian exports.

The two Chinas—the People’s Republic of China and the Republic of China, Taiwan—presented contrasting challenges for trade policy. In the case of the People’s Republic, there was ambivalence about how best to combine the

opportunities for trade with the political dictum of opposition to communist regimes. As the PRC was not recognised by Australia, it was not possible to appoint a trade representative to the country. The Australian government had imposed control on the export of strategic items to all communist countries. In addition, for security reasons, a 'China Differential' had been introduced that had the effect of imposing stricter control on exports to the People's Republic of China, North Vietnam, North Korea and Cuba than on exports to European communist regimes. In the case of North Vietnam, an effective prohibition on all trade was imposed in 1966.

Wheat continued to be the staple of Australian exports to the People's Republic of China, but there was no certainty that the trade would continue. At the end of 1970 there was anxiety within the Australian Wheat Board when the PRC authorities failed to exercise an option as expected and had not taken steps to negotiate a new contract. The absence of formal recognition was not normally an influence on the People's Republic of China's trade decisions, but board members were restive, believing that non-recognition could be a factor.¹² Certainly the lack of representation in Beijing was a handicap. The trade post in Hong Kong was a useful listening post, but it was not sufficiently close to the action.

In 1971 and 1972 the pressure was building in favour of greater recognition of the People's Republic of China. The new prime minister, William McMahon, was not handling the situation with any degree of confidence. According to Roy Barcham, trade commissioner in Hong Kong at the time, McMahon promoted a private trade mission to the People's Republic, but because of impatience—continual badgering of the Chinese authorities—the provisional invitation was withdrawn.¹³ The opposition leader, Gough Whitlam, had made it plain that he would recognise the People's Republic of China if elected to government. In a controversial Labor Party mission to the country in July 1971, Whitlam declared to the Chinese premier, Chou En-lai, that a Labor government would afford immediate recognition to the People's Republic and instantly drop Taiwan. Members of the McMahon government derided Whitlam for making this declaration. Six months later the US president, Richard Nixon, made a historic visit to Beijing, the effect of which was to change fundamentally the Sino-American relationship. The McMahon government's position had been comprehensively wedged. Recognition of the People's Republic of China was one of the first acts of the Whitlam government when it assumed power in December 1972; the decision to establish a trade post in Beijing followed early in 1973.

Retracing our steps in time briefly, the decision to open a trade post in the Republic of China, following the opening of an Australian embassy in 1966,

was clear-cut. For a lengthy period Taiwan had become the responsibility of the trade commissioner in Manila, but in the mid-1960s this was becoming increasingly untenable. The Taiwanese economy was emerging from a period of dependence on aid from the United States; import restrictions were being eased and a higher level of self-sufficiency had been achieved. Taiwan had emerged as a useful market for Australian products, mainly wool, and in 1965/66 total exports to the Republic of China amounted to \$17 million. In 1966 a short-term trade commissioner, G.T. Gillberg, conducted a market survey and reported favourably on Australian commercial prospects.

John Allgrove opened the post in Taipei in 1967. Allgrove was to become one of Australia's most experienced trade commissioners, spanning a period of more than thirty years. Trained as an agricultural scientist in the United Kingdom, he joined the service as an assistant commissioner in Calcutta in 1962, and also spent time as an assistant in Cairo before his first posting as a commissioner in Hong Kong in 1966. Thus, Taipei was his second appointment as head of post and one of the most important for the development of Australian trade in Asia.

In setting up the post, Allgrove faced a number of cultural challenges derived from Taiwan's unique history. Leaving aside the small number of aboriginal Taiwanese who were of Austronesian descent, the island was populated by two main groups: the native Taiwanese, who were descendants of the immigrants, mostly from south China, that began arriving from the Ming dynasty onwards, and the refugees from the mainland under Chiang Kai-shek's leadership, who arrived in the late 1940s. The two groups were deeply antagonistic towards each other. The islanders had suffered Japanese repression between 1895 and 1945, and soon afterwards faced the brutal domination of the Kuomintang. The sense of common Chinese ancestry was dissolved.

The relevance of this is that the trade commissioner had to be able to negotiate the cultural divide. Many of the larger industrial companies were exclusively Taiwanese, in the sense that they would only do business with fellow islanders; mainlanders were excluded. It was essential, however, for Allgrove to be able to do business with both camps. In appointing marketing officers, he sought to draw appointees from both groups. He appointed two islanders and one mainlander and, in doing so, convened a meeting to secure agreement that the three officers would work with each other.¹⁴ With agreement secured, it was possible to negotiate the minefield of cultural difference.

In the mid-1960s Taiwan was in the process of transforming itself from an agricultural economy into an export-oriented 'tiger' concentrating on manufactures. The rate of real GDP growth was a spectacular 10 per cent per

annum in 1967 and 1968. As an economy with a modest natural resource base, it was heavily dependent on imports of raw materials and some foodstuffs. This presented an important opportunity. As noted, Taiwan was an established export market for Australian wool, but opportunities were emerging for a much wider range of export items.

It should not be assumed, however, that Taiwan was a straightforward market to penetrate. Trade was dominated by Japan and the United States, with additional competition coming from Germany, Singapore and Hong Kong. The Taiwanese conducted a rigorous import licensing system, a reflection of continuing external payments pressure. Documentation had to be detailed and precise. There were significant cultural and linguistic differences to be bridged. Australian exporters required the assistance of established import agents, and the development of personal contacts that could only be achieved by regular visits by senior business representatives.¹⁵ They also required the support of a trade commissioner who was able to negotiate the hurdles and lessen the risks associated with dealing in an unfamiliar business environment.

Australia was reasonably successful in achieving a respectable share of the Taiwanese market, although the export profile continued to be dominated by 'traditional' items. Wool, hides, skins, wheat, maize and dairy products were the main staples. In addition, Taiwan was becoming a rapidly growing market for such basic manufactures as iron and steel blooms and slabs, tubes and pipes, as well as for nonferrous metals such as lead and zinc. As Taiwanese industrialisation gathered momentum, items such as these assumed a larger proportion of total Australian exports. Even so Australian exports represented a modest 3 to 4 per cent of total Taiwanese imports at this time.

With recognition of the People's Republic of China in 1973, of course, the situation changed fundamentally. The Australian embassy in Taipei was closed and the trade commissioner withdrawn. Trade between the two countries continued, but exporting was more difficult without on-the-spot representation. Support for Taiwanese trade was maintained through an office in Sydney that was thinly disguised to mask its actual purpose. The arrangement was tolerated by the People's Republic of China because it avoided overt recognition of the Republic of China. Taiwan continued to be a large and growing trading partner, perhaps less robust than if in-country trade representation had been possible.

Elsewhere in the region the focus of attention continued to move towards north-east and south-east Asia, as noted in the previous chapter. The reduced emphasis on India and Ceylon continued, and a number of posts further east were strengthened. Additional trade commissioners were appointed in Bangkok and Jakarta on the basis of solid increases in exports to Thailand and

Indonesia. In the case of Thailand, exports had increased from \$10.2 million in 1963 to \$23.5 million in 1967. Further, with the closure of the post in Calcutta, the commissioners in Bangkok were responsible for Burma, Cambodia, Laos and South Vietnam as well as for Thailand. Exports to Indonesia had increased by an even larger amount—from \$5 million in the mid-1960s to almost \$40 million in 1970/71—achieved in part by the economic stabilisation in the early part of General

Suharto's administration. At long last the confidence that had been placed since the 1930s on the potential of trade with Indonesia was beginning to bear fruit. In the early 1970s the Jakarta post was receiving a hundred Australian business visitors a month, and a series of major trade displays were proposed.

The Singapore post was strengthened for an unusual reason. Publication of fourteen editions of *Austral News*, the trade promotion newsletter, was based in Singapore and was the responsibility of an assistant trade commissioner (publicity). The commissioner designated in this way was in fact an A1 grade journalist. When salaries for journalists in this category were raised by a substantial amount, the journalist concerned was promoted to the rank of trade commissioner (publicity) to bring his salary into line.

The Hong Kong post was also allocated additional resources, although not without some uncertainty about how best to proceed. The post was unusual because the senior trade commissioner was also head of mission and most of his time was absorbed by representational responsibilities.¹⁶ In 1967 the decision was made to withdraw one commissioner from Hong Kong on the grounds that Australian business interests were well developed in the colony and that



A poster showing the location of Trade Commissioners in South-east Asia, 1968. [NATIONAL ARCHIVES OF AUSTRALIA]

the trade development phase had been completed. It was soon found that the decision was premature. Eighteen months later Cabinet was advised that the workload had increased substantially, partly because of the resilience of the

*Trade
Commissioner,
R.J. Barcham
(2nd R) and
Assistant Trade
Commissioner,
P. Flanagan (L),
with a
consignment
of Tasmanian
apples, Hong
Kong, 1971.*
[DEPARTMENT OF
FOREIGN AFFAIRS
AND TRADE]



Hong Kong economy and partly because of the political disturbances associated with the cultural revolution in the south of the People's Republic of China. This resulted in changes in the pattern of trade and the opening of new opportunities for Australian business.¹⁷

Two trade commissioners and an assistant were restored in 1968.

In the south-west Pacific the transfer of the commissioner located in Sydney to Suva in 1972 achieved a more prominent presence in the region. In a formal sense the granting of independence to Fiji in the same year provided the trigger. More fundamentally the expansion of trade in the Pacific was the inducement. Australia supplied more than one-quarter of Fijian imports, to a value of \$19 million in 1969/70. Servicing of other Pacific islands, particularly New Caledonia, would be improved from the base in Suva.

The post was opened by Llewellyn Martin, a grazier and company director by background. Martin had joined the service in 1957 and served as assistant in Rome, Singapore and Trinidad before his appointment as commissioner in Lima in 1966. He was therefore experienced in relatively exotic postings. Fiji was a challenge because of indigenous suspicion of Australia's commercial intentions and because of Fiji's dependence on Australia for a wide range of supplies. The commissioner's task was as much diplomatic as it was commercial. In this he was successful, at least in the near term. Australian exports continued to expand during the early 1970s, but the post continued to be sensitive and required constant diplomatic vigilance.

We should note, finally, the arrangements that were made to support Australia's substantial export trade to Papua New Guinea (PNG). At the end of the 1960s Papua New Guinea was Australia's fifth largest export market; in 1970/71 exports totalled \$163 million. Australia was the traditional supplier of most PNG imports, although its share of the market was in relative decline under competition from Japan and the United States.

There were legal difficulties in establishing a trade post in Port Moresby before PNG independence in 1975. The Trade Commissioners Act restricted the appointment of trade commissioners to an 'overseas place' and, because Papua New Guinea was Australian territory, it was judged inappropriate to create an in-country trade post. The 'pool' trade commissioner in Sydney with responsibility for the Pacific islands supported trade with Australia's northern territory. This was less than satisfactory, and was even less so when the Pacific islands operation was relocated to Suva. For a time, PNG trade was unsupported, and there were complaints by exporters about the operational lacunae. At the end of 1972 a dedicated commissioner was appointed to service Papua New Guinea, initially located in Sydney. Shortly before independence a full post was created in Port Moresby, with C.R. Brown as commissioner.

Western Europe

We shall not dwell at length on the situation facing trade commissioners in Western Europe in the latter part of the 1960s and in the early 1970s. In short, conditions were tough, as imports from non-EEC countries faced more stringent barriers and as the United Kingdom, once again, sought EEC membership. Both the United Kingdom and the European Economic Community remained important markets, but their share of Australian exports continued to fall sharply. During the lead-up to Britain's entry into the Community in January 1973, it became much more difficult for Australia to maintain her export of traditional agricultural products. As the common agricultural policy gained traction during the 1970s, the clamp on these exports became even tighter. The growth of markets east of the Elbe continued to have the effect of partially offsetting the fall in trade with the European Economic Community. This was the one bright spot on the European front. Accordingly, new trade posts were opened in Moscow, Belgrade and Warsaw.

This does not mean that there was any decline in activity in those posts located in the West. On the contrary, the level of activity intensified in an attempt to maintain market share and present Australia's case in the forums of Europe. In London, for example, trade publicity campaigns absorbed a large amount of time. In the 1960s this involved the organisation of advertising, special displays in department stores, frequent meetings with importers and other trade representatives, and regional visits to determine local market trends. These activities were under the general direction of the London publicity committee. In addition the London trade office played a large part in the management of periodic expeditions of the Australian-based Overseas Trade Publicity Committee (OTPC). The OTPC was responsible for the coordinated promotion of exports of foodstuffs and comprised the chairs of

the eight commodity marketing boards and a number of senior officials. In 1966 OTPC undertook a six-week world tour that involved visits to Canada and Japan as well as the United Kingdom and Europe. In London, an extensive round of meetings was organised with trade representatives and importers; advertising agency interviews were arranged with the trade press. In addition, there were many functions such as wine tasting and trade receptions.¹⁸ In an increasingly competitive market, such activities were essential even to maintain a reasonable share of the market.

Trade promotion in London was undergoing some change in emphasis in the late 1960s. The relative decline in exports of foodstuffs prompted greater emphasis on the promotion of manufactures. Indeed, some success had been achieved, with manufactures amounting to 6 per cent of total Australian exports to the United Kingdom in 1965/66 and growing at the rate of almost 50 per cent a year, admittedly from a low base. But manufactures faced the same dilemma as bulk commodities. They were admitted duty free into the United Kingdom and enjoyed a 12 per cent preference margin. Both of these advantages would disappear on United Kingdom entry into the European Economic Community. It was undoubtedly correct to pursue export diversification, but optimistic to suggest that this could do more than stem the slide in the relative importance of the British market.

While the rhetoric at the time was about manufactures, the structure of the London office retained a strong emphasis on traditional exports. The composition of the senior positions in 1967/68 were as follows:

- special commercial advisor
- senior trade relations officer
- trade commissioner (promotion)
- trade commissioner (publicity)
- trade commissioner (minerals)
- trade commissioner (agricultural)
- assistant director (trade publicity)
- assistant director (promotion).

This was a large complement of senior positions to defend a declining market and, with the advantage of hindsight, was a misallocation of resources. There were, however, powerful conservative forces at work. The United Kingdom had been the fulcrum of Australian trade for a century and a half, and it was difficult to come to terms with the fact that the world of international trade had changed irreversibly. Implicitly there was the hope that the trend over the previous twenty years could be turned around. Even more important was the role of the commodity boards. The Department of Trade and Industry was locked into supporting traditional Australian exports, particularly those

associated with country interests, and any retreat from the established pattern of promotion would have been viewed as commercial treason. The trade office in London, therefore, continued to operate largely in a defensive fashion.

In Brussels the primary tasks were high-level commercial diplomacy and representation of Australian interests. The ministers (commercial), primarily Patrick Donovan and John

ffoulkes Richardson, cultivated European ministers to help understand the pattern of EEC thinking on trade policy and pressed for improved access for Australian commodities; the role included some trade promotion work in Belgium and Luxembourg. Angus Paltridge spent less than twelve months as minister (commercial) in Brussels in 1973 and, in his end-of-post report, noted that Australian exports to Belgium had risen substantially, partly because of higher wool prices and partly because of increased sales of iron ore and coal. There had been success also in introducing manufactured items such as machine tools and medical equipment. He added that:

... too many Australian firms continue to ignore the [Belgian] market or handle it incorrectly to permit achievement of what might be considered a reasonable share of the market. This is a high quality market with its own methods of doing business and expects to deal with a local agent and not through one in, say, London.¹⁹

The European Economic Community as a whole was a more difficult target, and it was almost impossible to measure the impact of representation made on behalf of Australia. Most senior representatives in Brussels found the going extremely heavy.



Senior Trade Commissioner to London, F.G Atkins (centre), shows the Prince of Wales an Australian exhibit at the Royal Agricultural Show, Kenilworth, UK, 1975. [DEPARTMENT OF FOREIGN AFFAIRS AND TRADE]

We should note further initiatives in Western Europe: the creation of two new trade posts, the first in Milan and the second in Berne. The Milan post, the second in Italy, was opened in 1968. The first Italian post had been established in 1951 in Rome. Although wool continued to dominate exports to Italy, diversification had taken place in the 1960s, with an increase in sales of foodstuffs and, to a lesser degree, manufactures. Milan, as the centre of Italian commerce and manufacturing, was more appropriate than Rome as a location. Rome was largely a policy post with responsibility for the Food and Agricultural Organization and issues concerning agricultural policy. It was not well placed to interface with the large number of small firms clustered in the Italian north-west. Milan became a two-person post with an assistant commissioner transferred from Rome. The commissioner in Rome retained responsibility for the eastern Mediterranean, with small locally engaged staffs in Turkey and Israel.

The change in emphasis in Italy is indicated by the fact that Dudley Fagg, commissioner in Rome since 1966, was appointed to open Milan, a position that was combined with that of consul-general. Fagg had been recruited from the private sector, and had been a member of the trade commissioner service since 1960, having served in Trinidad and Bombay as well as in Rome. His background was as a sales executive with Commonwealth Industrial Gases Ltd and, before that, with the Commonwealth Steel Co. Ltd. He was thus one of the recruits designed to broaden the experiential basis of the service.

Milan was an important addition to the network of trade posts in Western Europe. The triangle framed by Milan, Turin and Genoa was the core of Italian industrial activity, with firms such as Fiat, Pirelli, Olivetti and Biella driving a complex network of suppliers. Accelerating industrialisation generated demand for a wide range of industrial raw materials such as iron ore, copper wire, tin, steel billets, coil and tinplate, tanning materials, casein and essential oils. In 1967 Australian exports to the region amounted to a modest \$14 million (2 per cent of imports into the triangle), but were on the rise. Milan was one of the posts that was maintained through the remainder of the twentieth century.

Less compelling was the decision in 1972 to open a post in Berne, the Swiss capital. As we have seen, Australia had been represented in Geneva since 1964, when Pat Donovan was appointed as minister (commercial) to undertake GATT and UNCTAD negotiations. When Donovan transferred to Brussels in 1966, he was replaced by Kevin Ryan, also a senior commercial lawyer, who was soon to be appointed Garrick Professor of Law at the University of Queensland. The intention was that the minister should divert a proportion of his time to trade promotion, but GATT and UNCTAD continued to absorb the bulk of his time. UNCTAD, in particular, consumed time in the form of

innumerable meetings on commodities, manufactured goods and East–West trade. There was GATT liaison work, for example, in relation to the waiver granted to Australia to introduce tariff preferences for less developed countries and with respect to the waiver covering the New Zealand–Australia free trade agreement, which was subject to annual review by GATT. Although Switzerland was, for the purposes of trade promotion, part of Bonn’s territory, to all intents and purposes it had not been systematically covered.

Switzerland was a wealthy country with a large propensity to import. Australian exports to the country, however, were modest: around \$6 million in 1970/71, or a mere 0.1 per cent of total Swiss imports. Exports comprised mainly wool, grains, meat, pearls and gems, foodstuffs and minerals. Although detailed research had not been undertaken, there appeared to be reasonable prospects for improved market penetration.

The Berne post was opened in 1973 by Max Daniel, previously in Bahrain, and was staffed by transferring an assistant commissioner post from Geneva and upgrading, thus reducing the cost of Swiss-based operations. Daniel and his successor, John McFarlane, were able to make reasonable progress, so much so that by the mid-1970s exports from Australia had reached around \$20 million annually. But the post fell victim to a cost-cutting exercise by the Garland committee (to be discussed in the next chapter) in 1977 and was closed in 1979, much to the chagrin of the Australian ambassador in Berne, Keith Brennan.²⁰ Responsibility for trade promotion in Switzerland was transferred to Bonn. Berne was reopened in 1988 but lasted only a few years. The decision to proceed with a post in Berne was a reflection of the rather loose criteria that were employed towards the end of the McEwen–Anthony stewardship of the Trade and Industry portfolio.

Eastward march in Europe

Following Rudi Schneemann’s successful penetration of the Soviet bloc in the second half of the 1960s, there was a concerted effort to build economic relations with the Comecon countries by the Holt, Gorton and McMahon governments. The driver, of course, was the quest for larger and more stable markets east of the Elbe in at least partial compensation for the loss of market share in the West. But these markets were more than usually unstable and did not play by conventional rules. Significant wheat sales were made to the Soviet Union in the first half of the 1960s, but virtually no shipments were made in the second half of the decade because of improved local harvests. Wool was the only reasonably consistent export item to the Soviet Union. The challenge was to break the single-commodity character of exports and the heavy trade balance in Australia’s favour that was such a feature of the late 1960s.

As a result of Schneemann's trade diplomacy, an Australian–USSR trade agreement was signed in 1965 that simply conferred most-favoured-nation benefit on trade between the two countries. This was a necessary but not sufficient condition for strengthening the commercial relationship. Australian officials would need to learn the idiosyncrasies of a non-market system. First among them was the dominant position of government and its agencies in the process. This meant accepting a tortuous and formal process of negotiation on a government-to-government basis. When private enterprise on the Australian side was included in the negotiating team, the Soviets designated these as a 'mixed commission'.

The development of good personal relations between the negotiators was essential. The Soviets were instinctively mistrustful of market-oriented dealings, and it was necessary for frequent visits to be made, preferably on a reciprocal basis, to build confidence and as much trust as possible. The Soviet approach to trade was heavily bilateral, including an expectation that bilateral balance would be achieved. This was an approach that had been adopted in relation to Soviet trade with its satellites where *force majeure* was often used to achieve rough bilateral balance. This did not work when dealing with non-communist countries, and much time needed to be spent in assuring the Russians that every effort was being made to rectify the imbalance in Australia's favour. This was a difficult task because the hard facts were that the Soviet system produced little that was required in Australia.

Although Rudi Schneemann had made frequent visits to Moscow since he was first posted to Vienna in 1964, it was not until the end of the decade that a concerted effort was made to broaden the base of trade with the Soviet Union. In September 1969 Schneemann and his assistant commissioner, Laurie Matheson, spent a month in the Soviet Union, much of it in Moscow. Often accompanied by the Australian ambassador, they held detailed discussions with the Ministry of Foreign Trade and Soviet exporting organisations such as Traktoroexport and Medexport. Subsequently the duo spent time in Khabarovsk and Nakhodka in the Soviet Far East. For logistical and other reasons, Australian officials were convinced that there were useful opportunities to grow and expand exports—fresh and canned fruit, clothing and other consumer goods, tools and wire rope—to the Soviet Far East. Indeed, there was more optimism about this region than about the region around Moscow, although diplomacy dictated that this should be downplayed during the discussions.

The upshot of the meetings was reasonably positive. Soviet officials were induced to turn their minds to trade with Australia, and they were not as sensitive about Australian interest in their Far East as had previously been

assumed. But there was work to be done. The Russians were puzzled and slightly offended by the absence of a trade post in Moscow, and Schneemann recommended that such a post be established without delay. It was also clear that there was a need for a number of reciprocal visits, at official as well as at ministerial levels. Schneemann suggested that the Trade Promotion Visits Fund be used to bring key Russian officials to Australia.²¹

It would be misleading to suggest that the Schneemann–Matheson visit produced a flurry of activity. The two commissioners, located in Vienna, continued to research trade prospects and found it exceptionally difficult to extract information from the Soviet bureaucracy. But there was a gradual increase in interest and exchange of visits. As minister for primary industry, Doug Anthony spent time in the Soviet Union in 1969, as did John McEwen in 1970. Members of the Export Development Council comprised a trade survey mission to the Soviet Union in 1972 and concluded that, while the trade relationship between the two countries was ‘immature’, it had great potential based on ‘geographic complementarities’.²² The Soviet minister for foreign trade, N.S. Patolichev, visited Australia in March 1973. Gradually the trading relationship deepened.

An essential part of this process was the opening of a trade post in Moscow in accord with Soviet wishes. Cabinet approval was obtained in 1970, but opening of the post was delayed until 1972 to allow time for suitable accommodation to be found. Matheson, a fluent speaker of Russian with a



Russian Minister for Foreign Trade, Mr N.S. Patolichev (C), inspects bales of Australian wool, Canberra, 1973. [NATIONAL ARCHIVES OF AUSTRALIA]

background in naval intelligence, was appointed the first trade commissioner. His appointment was unusual in the sense that his experience was limited to several years with Schneemann in Vienna, and he remained in Moscow as commissioner for only a short period. Language proficiency was not always given priority by the trade commissioner service but, in this case, it was the overriding consideration. Matheson resigned from the service for personal reasons, but he remained in Moscow and continued to be active in Australian–USSR trade in a private capacity.

The growing commercial relationship between the two countries is reflected in the export expansion, as presented in Table 8.3. By the end of the 1970s the value of Australian exports had increased to more than \$270 million annually, without any material change to the balance in Australia's favour. The underlying stresses and strains in the relationship, however, were obvious. Australia's export trade was based on a narrow range of items, notably wool and meat. It was inherently unstable, depending on climatic and other conditions within the Soviet Union and centrally controlled trade policy. The trade balance in Australia's favour was a constant irritation to Soviet officials and was presented as a threat to the trading relationship. As a gesture of goodwill, Australia assisted several Russian sales missions and tenders for major projects, and they were successful in selling blast furnace technology to BHP at Port Kembla. More frequently, however, tenders were unsuccessful and there was no interest in Russian consumer goods. In these circumstances vigilance and strong trade representation were required to maintain the relationship.

Table 8.3 Australia: trade with the USSR, 1966/67 to 1971/72 (\$ million)

	1966/67	1967/68	1968/69	1969/70	1970/71
Australian exports	20.3	27.4	40.3	51.4	62.7
Australian imports	1.7	2.1	2.0	3.5	2.2
Balance in Australia's favour	18.6	25.3	38.3	47.9	60.5

Source: Australia–USSR Trade Relations, NAA: A1838, 69/1/3/1 part 6.

Elsewhere in the Soviet bloc, the network of trade relationships was gradually extended. Following the Soviet precedent of 1965, simple most-favoured-nation trade agreements were signed with Bulgaria and Poland in 1966 and with Romania and Hungary in 1967. The invasion of Czechoslovakia in 1968 precluded an arrangement with the most Western country of Communist Europe. These agreements were not in themselves of great moment, but they were indicative of intent. Of more immediate significance was a prospective agreement with Yugoslavia, a country that under Josip Tito's strong leadership was relatively independent of the Soviet Union and had more of the characteristics of a market economy. Schneemann once again paved the way in association with Alan Renouf, the Australian ambassador in Belgrade. Again, weak Yugoslavian exports to Australia constituted a handicap in building a closer relationship and, in the late 1960s, Schneemann had spent time in encouraging Yugoslavians to explore markets in Australia and to support a direct shipping link between Trieste and Australian ports. By 1970 agreement had been secured; John McEwen would make the trip to Belgrade

to sign on Australia's behalf. At the time, Australian exports amounted to a promising \$17 million per annum, and this was sufficient to justify opening a trade post. Accordingly Cabinet approval for a new post in Belgrade was secured in 1973, and it was opened in the same year by Frank Street, a former director of the trade commissioner service. Belgrade was given responsibility for Bulgaria, Romania and Albania, but Yugoslavia was the main target.

In the same process, Poland had been identified as a possible trade partner. Again there had been reciprocal ministerial visits in the early 1970s and bilateral trade discussions. A trade survey mission visited Poland and Czechoslovakia in 1971 and there were the usual optimistic expectations about trade prospects. A matter of concern, however, was the modest number of business visitors to these countries because of their unfamiliarity, and this was judged to have restricted commercial opportunities. In such non-traditional markets, the creation of a trade post was judged to be essential to augment the \$20 million of wool, hides, grain and meat dispatched to Poland each year.

A trade post for Warsaw was approved in 1972 and opened by John Morey the following year. Morey was an economist by training and an experienced commissioner, with previous service in Santiago, Auckland and Wellington. Warsaw was a relatively difficult post at the time, with the need for frequent travel to cities such as Prague, Brno and Bratislava. Transport links were not well developed, and road journeys in winter could be lengthy and hazardous. Travel by air could also be unreliable, particularly in poor weather conditions: in the East, most transactions took far longer than in the West. Nevertheless, there was a steady increase in demand during the 1970s for Australian bulk materials, notably wool, skins and hides, grains and metals. As in the Soviet Union, the high transaction cost and the risk of doing business in unfamiliar conditions made the trade commissioner indispensable.

The creation of three new posts in Eastern Europe largely completed the Soviet bloc network until the 1990s. The one exception was the opening of a post in East Berlin in 1975, as discussed in Chapter 9. The Vienna post was scaled back to concentrate on Austria but was also available to assist with nearby countries such as Czechoslovakia and Hungary.²³ The Eastern network was by no means able to compensate for loss of market share in the West, but important new markets had been opened that seemed to offer long-term growth prospects.

Africa and the Middle East

The deployment of resources to tap the markets of Africa and the Middle East continued to present a challenge for the Department of Trade and Industry. On the whole Africa had been a disappointment. As noted previously, trade

posts in Accra and Lagos had been closed in the mid-1960s. In the latter part of the 1960s Nairobi was the only post operating in central Africa and, although an interesting and even exciting location for trade commissioners and their families, it was a modest performer in terms of Australian export development. South Africa was the one bright spot on the continent, but the growing anti-apartheid movement in Australia would soon adversely affect trade. The longstanding Cairo post was buffeted by political and economic turmoil. Indeed, as a result of the Arab–Israeli War of 1967 and the closure of the Suez Canal, the post in Cairo was closed and was not reopened until 1972. As we shall see, there continued to be interest—for different reasons—in northern and southern Africa, but it would be fair to say that the African venture was struggling.

In the Middle East there continued to be a search for adequate representation. The drive for a presence in the Middle East in the early 1960s had resulted in the opening of two posts—Beirut and Bahrain. To the surprise of some, Bahrain turned out to be promising and, within a short period, was the focal point for a reasonable volume of trade. The post was responsible for a broad area: western Saudi Arabia around the hinterland of Jeddah, Abu Dhabi, Dubai, Qatar, Muscat and Oman, and Kuwait. Most of these places were oil-rich and offered reasonable prospects for the export of such manufactures as refrigerators, furniture and prefabricated housing. The area was also emerging as a market for the export of live sheep. Beirut was promising initially but, in the second half of the 1960s, was adversely impacted by the conflict with Israel, internal communal conflict and a stagnant economy. In addition to Lebanon, Beirut was responsible for eastern Saudi Arabia, Syria, Jordan and Iraq. Syria and Jordan offered few, if any, prospects. In 1969 there were serious thoughts about closing Beirut entirely; in the end, it was retained but staffing was reduced.²⁴

*An Australian
trade Survey
Mission to the
Middle East
heading to their
appointments in
Dubai, 1972:
—over land*



The strategic importance of the Middle East is indicated by the fact that Sir Alan Westerman personally chaired a meeting of regional trade commissioners in Beirut over a three-day period in November 1966. This was an opportunity for the permanent head to learn about commercial conditions in the region and to identify opportunities. It was not primarily intended to find weaknesses, although these would emerge. The opportunity was taken to press the commissioners for details of market penetration of exports of manufactures, and for advice about how improvements could be made.

The weaknesses were clear. Australia was thinly represented: only Bahrain and Beirut were near the centre of the region; Cairo and Athens were at the periphery. Australian business visitors were relatively few in number. Shipping was infrequent and costly, making items like the Holden car expensive. The positive indicators were that oil revenue and incomes were rising, and that there were new opportunities for independent contracting, housing construction, the introduction of dry-land farming techniques and agricultural machinery, exports of general manufactures and, of course, foodstuffs. The trade commissioner, Cairo, thought that Libya was the brightest commercial star on the horizon, a country that he thought could be most conveniently serviced from Malta.²⁵ This was an idea that was soon to be taken up, but the immediate task was to strengthen Australia's presence in the heart of the Middle East.

Planning was disrupted by the Arab–Israeli War in 1967 and the chronic instability that followed. This made more complex the choice of an additional post in the region. Saudi Arabia was an obvious candidate, but the Saudis were not yet willing to accept commercial representation. Iran had been an area of interest for several years, and had been 'covered' from Karachi, a less than satisfactory arrangement. Iraq had been mentioned in dispatches but



...and water
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the political instability of the country was regarded as a problem. Jordan and Syria, for different reasons, were judged to offer limited prospects.

In the event, Iran was the clear choice. The Shah had initiated a modernisation program in the 1960s that combined industrialisation with agricultural reform. The economy was underpinned by substantial oil revenue. Although per capita income was low, the growth rate was a healthy 8 per cent per annum. Australian exports in 1968, mainly wool and foodstuffs, amounted to \$6 million per annum, but there were good prospects for a substantial increase in both bulk commodities and manufactures. Indeed, an early success was the sale to Iran of five road-making rollers by the Melbourne firm of Davleco Industries.

Noel Carroll opened the trade post in 1968 and was housed in the makeshift Australian embassy in Tehran that was established at the same time. Carroll was an experienced diplomat and trade commissioner who had served as Richard Casey's private secretary in the early 1950s and as a member of the Australian military mission in Bonn and in Paris. Before his Tehran posting, he was engaged within Trade and Industry in special export promotion activities in Canberra.

Tehran was one of those 'hardship' posts that taxed the most resolute trade commissioner. The temporary embassy building was inadequate and was regarded by some as a 'national disgrace and a source of continuing embarrassment'.²⁶ Personal accommodation for staff was difficult to obtain and expensive. Allowances were inadequate, as were salaries for locally engaged staff. At least Tehran was not subject to the same health risks that were common elsewhere in Asia and the Middle East.

Tehran rapidly developed into a very busy post. An immediate task was preparation of the Australian display in the second international trade fair to be held in the Iranian capital, scheduled for October 1969. There were many logistical challenges involved in putting together a pavilion in a distant country with unfamiliar labour practices. Market information needed to be provided to over 200 Australian firms expected to participate in the fair. There were also a large number of business, political and official visitors to be assisted, including several trade missions. There were visits, for example, from Sir Alan Westerman and the chairmen of the Australian Wheat Board and the Australian Dairy Board. Iran appeared to be the rising economic star of the Middle East.

As was so often the case in this region, disappointments lay ahead. The first was of a domestic character. In the mid-1970s the Australian embassy in Tehran had become dysfunctional. The ambassador, Ivor Bowden, was in serious dispute with the trade commissioner, Richard Fletcher. There were no doubt personal issues involved, but the consequence of the dispute was that

the trade commissioner was unable to perform his responsibilities as required. In essence, the ambassador had transferred responsibility for significant trade representation to his own office, leaving the commissioner as bag carrier. During a visit to Tehran in 1975 by two Commonwealth ministers, Dr Jim Cairns and Senator Ken Wriedt, the commissioner was sidelined to such a degree that he was unable to provide basic commercial information to five visiting businessmen.²⁷ Interpersonal conflict of this kind was most unusual in Australia's overseas missions, but was damaging when it did occur. The irony is that the ambassador was the son of Gordon Bowden, Australia's first trade commissioner in China.

Despite this setback, trade with Iran was maintained at a reasonable level. Trade representation was upgraded to the level of minister (commercial), and Greg Burns succeeded Fletcher in 1976. There were several successful missions to the region at this time, including a New South Wales Chamber of Manufactures mission of twenty members and a mining mission. The latter was excited about Iranian mining prospects, and there were also prospects for sales of uranium as fuel for power generation. If the uranium deal could be closed, Burns thought that 'there was no limit to our trading relationship'.²⁸

By the end of the 1970s, however, the Shah had been overthrown and the country descended into chaos as the Iranian revolution gathered momentum. The trade commissioner and one of his assistants and their families were withdrawn. An unmarried assistant commissioner, Alexander Karas, was left to hold the fort. The trade posts of most other countries were closed, which enabled the Australian office to gain an advantage despite the difficulties. Karas described the scene as the revolution unfolded:

From 8 September 1978, the time Tehran and eleven other cities in Iran were placed under martial law, and the day of the massacre of Jaleh Square in Tehran, the city was subject to daily demonstrations, riots, troop activities, burnings, poison letters and anonymous telephone calls directed at foreigners and their families and friends, including Iranian friends ...

[In January 1979] Iran's borders and airports were closed and normal communications with the outside world were cut. The [Australian] Embassy maintained a tenuous radio-telex link with Australia via Damin [in Yemen] ...

However, while most of Iran's industry was at a halt, food and other essentials were still required and Australia provided much of this. Australian trade continued throughout the whole period, as did diplomatic and trade contacts with the new government, religious bodies and private industry. Despite the strikes shipping continued and payment for goods and services was facilitated.²⁹

Trade commissioners were often in the front line of political upheaval and civil conflict, but the grit and courage shown on this occasion was remarkable. It was also clear that trade could only be protected in such circumstances by on-the-spot representation.

Despite the opening of Tehran, it is fair to say that Australia remained lightly represented in the Middle East. This was particularly the case with the effective closure of Cairo in 1967 and the diminished significance of Beirut. The next major move was the opening of a post in the port city of Jeddah in 1975, well after the transformation of the region by the first oil shock in 1973.

It will be recalled that the African continent had been rich in commercial disappointment as far as Australia was concerned. We have noted that the wheat export trade to Egypt had been lost to all intents and purposes in the 1960s because of the unwillingness of the Australian Wheat Board to offer the generous credit terms requested by the Egyptian authorities. Except for the retention of a local marketing officer, Cairo was closed in 1967 and was not reopened until 1972 at the level of assistant trade commissioner. The posts in West Africa had been closed as a consequence of political and economic dislocation. This meant that the territory of the Nairobi trade office, already formidable, was extended to include the west of the continent. Johannesburg, responsible for southern Africa as well as for the Republic of South Africa, was performing reasonably well, but Canberra's judgment was that the post should be more proactive and responsive.³⁰

With the closure of Cairo in 1967, the trade commissioner—Edmund Dillon (known as Brian)—was appointed to open a post in Valletta, Malta. Previously Malta had been part of Rome's territory. The rationale had more to do with Libya than with Malta. Libya had been part of Cairo's territory and, for several years, Dillon had been a strong advocate of trade promotion in the oil-rich state. The line of reasoning was that Malta was a relative safe haven, was a member of the Commonwealth, contained an Australian embassy and afforded reasonable access to Libya. With a population of 330,000 and imports from Australia of \$4 million, Malta itself hardly justified a trade office.

As might have been expected, this experiment did not work particularly well. Despite its oil wealth Libya was a difficult and demanding commercial environment. In 1969 the monarchy was overthrown and replaced by a Revolutionary Command Council headed by Colonel al-Qaddafi. The only way of making commercial inroads was by on-the-spot representation in Tripoli. The Maltese post was discontinued in 1973; a post in Tripoli was opened much later—in 1978.

Compared with the north, southern Africa was a Garden of Eden. With the sturdy growth of the South African economy, based largely on minerals and food production, Australian exports to the republic were on the march. In 1960/61 exports were around \$14 million per annum, but they increased markedly mid-decade to reach around \$50 million at the end of the decade. The encouraging feature was the rising proportion of manufactured exports: motor vehicles and components, petroleum products, electrical and other machinery, galvanised iron sheet, and textiles and clothing as well as a range of bulk commodities. The factors restricting growth were the high cost of shipping between Australia and South Africa, the infrequency of direct flights between the two countries at two per week, and the fact that, in much primary production, Australia and South Africa were competitive. The closure of the Suez Canal in 1967 was of some advantage to trade across the Indian Ocean, but the fact remained that Australia supplied a modest 2 per cent of South African imports at the end of the 1960s.

There were, however, expectations of considerable expansion in the near term, and trade promotion in the republic was reasonably vigorous. An Australian trade survey mission led by Oscar Meyer³¹ visited South Africa in August–September 1968 and concluded that ‘Australia’s trade with South Africa can at least be doubled in the relatively short term, with very real prospects for long-term growth’.³² Opportunities for growth appeared to be promising in motor vehicles and components, iron and steel products, agricultural equipment (including tractors and components), industrial chemicals and, possibly, plastics and related chemicals. There had been an impressive Australian trade display in Johannesburg earlier in 1968, and a visit by Sir Alan Westerman in 1969. The mission emphasised the need for heavy promotion because of the intensity of competition and the fact that Australian exports were not particularly well known. The intensity of competition is illustrated by the fact that there were no fewer than nineteen trade missions from the United Kingdom in the republic during 1968.

The trade office in Johannesburg was chided occasionally for its failure to produce more research reports on export opportunities, but the geographic extent of its responsibilities meant that some aspects of the trade commissioner’s work had to be curtailed. In addition to South Africa, the Johannesburg office was responsible for Rhodesia and Nyasaland, South-West Africa, Bechuanaland, Basutoland, Swaziland, the Malagasy Republic, Mauritius, Angola and Mozambique. For a time the post was also responsible for the Congo, Rwanda and Burundi. Regular trips were also necessary to the port cities of Cape Town, Port Elizabeth and Durban. The issue was not the location of the Johannesburg post, which was regarded as appropriate. The central issue was the allocation

of huge territories to commissioners with the support of modest levels of staffing. The practice was explicable in the early exploratory stage of the service, but the time had arrived for greater selectivity and a sharper focus.

*R.T. Anderson,
Trade
Commissioner,
Cape Town (L),
at the opening of
an Australian
Trade Display
by G.J.F. Steyn,
Secretary of the
South African
Department
of Commerce,
1969.
[AUSTRADE]*



Some relief was provided by the decision in 1969 to open—or more accurately to reopen—a post in Cape Town. Creation of a second post in South Africa was designed to support the development of Australian motor vehicle exports and to serve as a source of information on those South African exports such as canned, fresh and dried fruits, wine and fish that were competitive with Australian products.

Ray Anderson, an assistant in Johannesburg and a psychologist by training, reopened the post. A promising start was made under buoyant economic conditions in South Africa. A large trade display involving some seventy-six Australian companies was mounted in Cape Town in October 1969. Of particular interest were building materials, agricultural aircraft, motor vehicles and components, fashion wear, sporting goods and light engineering equipment.³³ It seemed as though Australia had at last found a substantial market in addition to New Zealand for its manufactured exports.

Much of this was nipped in the bud, however, after the election of the Whitlam government in December 1972. The new prime minister wasted no time in enunciating his unequivocal opposition to racism in general, and apartheid in particular. In April 1973 he wrote that:

Australia's clear and unequivocal rejection of South Africa's apartheid policies, while correcting any impression in South Africa that Australia has a special sympathy with white Africans, does not mean that we wish to see South Africa totally isolated from the rest of the world. We have no present intention of cutting off our diplomatic, trade or cultural relations with South Africa.

There are legitimate commercial, communications, consular and civil aviation interests in South Africa which we should not abandon lightly.³⁴

In practice this meant placing active trade promotion 'on hold'. In the formal language of the day, the government's 'policy in relation to trade with South Africa is to permit normal economic relations without avoidable official assistance'.³⁵ But, without vigorous promotion, Australia's market position was bound to contract, and this turned out to be the case. There was a good deal of grumbling by motor vehicle exporters, and both the Ford Motor Company and General Motors were readily able to switch to non-Australian component suppliers.³⁶ But the Whitlam government was not about to adjust its principles. As a result, there was no continued justification for retaining a second presence in South Africa, and the Cape Town post was closed in May 1975. An assistant commissioner in Johannesburg was also withdrawn.

Once again Africa, largely for political reasons, had been deeply disappointing.

The Americas

In the latter part of the 1960s, the Australian trading position with the United States was well maintained. Exports to this destination usually represented 12 to 13 per cent of total exports. In terms of scale, they were broadly comparable with those to the United Kingdom, the European Economic Community and South-East Asia and, by the end of the 1960s, had increased to more than \$550 million per annum, compared to \$150 million at the beginning of the decade. Exports continued to be dominated by bulk commodities, particularly wool, although there was healthy growth in the value of manufactured exports. It is also fair to note, however, that growth in exports to the United States was beginning to falter in the early 1970s. The United States continued to be a demanding market, and export growth, in relative terms, was not maintained for lengthy periods of time.



A presentation of books on Australia at a Pacific Food Fair, Pasadena, 1975. (With the same tailor: L–R: F.W. Gluth, Trade Commissioner, P.R. Searcy Australian Consul-General, Los Angeles and M. Matthews, Mayor of Pasadena.)
[DEPARTMENT OF FOREIGN AFFAIRS AND TRADE]

Given the size and complexity of the market, Australian trade representation continued to be lean. There also continued to be uncertainty about strategic directions. There were four posts—Washington and New York on the East Coast, and San Francisco and Los Angeles on the West Coast. In recognition of the need for strengthening, Cabinet approved in 1970 the opening of a post in Seattle and the reopening of the Chicago post. Seattle was a surprising choice for a new post, located relatively close to San Francisco and without a substantial commercial hinterland of its own. The explanation was that there were prospects for Australian firms to subcontract to the Boeing Corporation, and it was judged that this would be more successful if located on the doorstep of the aircraft manufacturer. In the event the opportunistic decision came to nothing: further investigation showed that a locally based trade commissioner was not necessary for successful subcontracting, so the post was not filled and was eventually abandoned.

The reopening of Chicago in 1972 by Terry Collis after it had been closed for a decade is an indication of the uncertainty surrounding strategy towards the United States in the 1960s and 1970s. Chicago, of course, was a major commercial and industrial centre with a huge hinterland through the Midwest and extending as far south as Texas. Collis had barely established the office before he was posted to Osaka and was replaced in 1974 by Michael Coultas.

The new commissioner was able to draw upon wide experience as a jackaroo, schoolteacher and economist as well as more than ten years with the trade commissioner service. More important, he was an optimist about what could be achieved as a trade representative and was enthusiastic about prospects in Chicago despite the fact that it was one of the most competitive markets in the world.

Coultas identified correctly that the Midwest was in the process of drawing an increasing proportion of minerals from abroad and, shortly after his arrival, was able to facilitate a substantial contract for the supply of charcoal-smelted pig iron from the Windowie iron works in Western Australia. He also supported the sale by the Western Mining Corporation of nickel to metallurgical companies in Pittsburgh and in the Midwest generally. Similarly a good deal of trade development effort was devoted to the task of persuading the Americans of the potential of Australian pelletised iron ore for use in the United States steel industry. While the high cost of freight inhibited trade initially, several trial shipments from Robe River and Savage River were dispatched to the east coast of the United States. Establishment of the trade on a regular basis depended on the development of port and handling facilities capable of dealing with ships with a laden capacity of 100,000 tons. The trade office was also involved in the expanding markets in the Midwest for Australian rutile, zirconium, titanium and antimony.

An ability to behave opportunistically was an important skill in a trade commissioner so long as strategic market development was not neglected. There are many examples in the history of the service, but the work that Coultas undertook to introduce Martin taxi meters into Cleveland is an excellent one. The essence of the story is that a major American manufacturer of taxi meters decided to discontinue production. The trade office immediately approached Chequers Cab Manufacturing Company, the largest taxi operator in the United States, and proposed the use of the Australian product on the grounds of its quality and cost-efficiency. At first the cab company had difficulty suspending disbelief, but a trial was agreed and a contract was eventually signed.³⁷ There was talk of closing Chicago again in 1976 during the cost-cutting exercises of the early years of the Fraser government, but the post survived and continued to play an important part in the North American network.

In Canada the story had remained substantially unchanged since the opening of the first post in the sister dominion in 1929. In the two posts concerned with promotion—Montreal and Vancouver—the focus of attention continued to be dried fruit, meat and sugar and, to a lesser extent, canned fruit. North-east Canada proved to be a difficult market to penetrate. As trade commissioner Robert Holberton explained in his recollections, at Montreal ‘we were at the end of Australia’s longest trade route and the Canadians were difficult to convince to place orders for goods and then wait six weeks for delivery’.³⁸ Manufactures proved to be particularly difficult, not a surprising outcome with United States competitors on the doorstep. Holberton was successful in greatly expanding the market for canned fruit. There was also encouraging interest in Australian products at Expo 67 in Montreal.

The surprising feature of trade promotion strategy in Canada was that Montreal was favoured over Toronto for so long. Ontario was easily the largest market in Canada, and Toronto was the location of the first post in North America. When the commissioner, Lewis Macgregor, was transferred to New York in 1938, the Toronto post was allowed to lapse. The decision to re-establish a post in Toronto was prompted by the difficulty that Holberton and others had experienced in promoting exports of manufactures in eastern Canada from a base in Montreal. Toronto, the industrial heartland of Canada, was judged to be a superior location.

Ron Hines opened the new Toronto post in 1971. Hines was a commissioner and official of considerable seniority. He had joined the Department of Commerce in 1940 and then spent most of the war years in RAAF bomber command. After the war he served as an assistant commissioner in Hong Kong, Vancouver and Jakarta before posting as a commissioner to Pakistan and south-west Asia. He spent time in South America before his appointment as

director of the trade commissioner service in 1966. He served as commissioner in Montreal in 1970, and his advice on trade prospects in eastern Canada was a reason for the re-opening of Toronto. Montreal was retained for the time being (until after the Olympic Games) but was closed in 1976 during the economy drive of the time.

Although Toronto was a more central location, conditions in the early 1970s were—to say the least—challenging. The Canadian economy continued for a while to experience solid growth, but Australian market penetration remained at around one per cent of total Canadian imports. Australian wine was well received and secured additional market share, an achievement that was obtained as a result of intense work with provincial licensing authorities. Small quantities of manufactures were sold such as carbon steel, metal working equipment, scientific equipment (spectrophotometers) and clothing (bathing suits). With the United States on the doorstep, it was always unlikely that Canada would become a substantial importer of Australian manufactures, but the combination of the first oil shock in 1973 and the rise in the value of the Australian dollar in 1973/74 made the task of the exporter especially difficult.

In Latin America the trade commissioner service maintained a relatively large presence following the drive for new markets in the early 1960s. By the early 1970s there were five posts in the region, the same as for the United States and more than for Canada (although we should note that the number of posts should not be equated with the quantum of resources deployed). The established posts were located in Port of Spain (1951), Lima (1961) and Buenos Aires (1965). In addition, the Santiago post—opened briefly and unsuccessfully in the late 1940s—was reopened in 1968, and Mexico City in 1969. It would be too tough to say that this relatively large investment represented the triumph of hope over experience, but there was a touch of Don Quixote in these decisions.

Lima was the most successful of the Latin American posts. From negligible levels in the early 1960s, Australian exports had increased to \$2.8 million in 1965/66. The most important items were livestock, butter and agricultural equipment. The trade commissioner was responsible for an area—Brazil, Chile, Bolivia, Colombia and Ecuador in addition to Peru—that would have challenged the fortitude of Marco Polo. Despite the useful rise in the volume of trade, it was not clear that Australia and Peru were natural trading partners.

The trigger for reactivation of the Santiago post was the completion of a substantial contract for the sale of 150,000 tons of wheat, valued at \$8 million. It was also thought that there were prospects in livestock, agricultural and railway equipment, mining machinery, minerals and automobile spares.

John Morey, previously commissioner in Auckland, opened the post in 1968. Wheat sales continued at a healthy level for several years but, in the early 1970s, economic conditions deteriorated under the revolutionary administration of Salvador Allende. With financial conditions becoming increasingly chaotic, the



M.F. Roberts, Trade Commissioner in Peru (R), beside President Sr Belaundi Terry watching a shearing demonstration in Lima, 1965. Cyril Spendlove, Trade Publicity, Melbourne, is between Roberts and the President.

[DEPARTMENT OF FOREIGN AFFAIRS AND TRADE]

government was overthrown by Augusto Pinochet in September 1973. The Australian maritime union immediately imposed a black ban on ships destined for Chile, and the recently elected Whitlam government was reluctant to act firmly against the ban. This effectively killed the emerging trade with Chile—at least for the time being—and even had a damaging effect on trade with Argentina.³⁹ The Santiago post was eventually closed in 1976 and responsibility for Chile was transferred to Buenos Aires, although the post was reopened again under more settled political conditions in 1988.

The decision to open in Mexico City in 1969 was influenced to an appreciable degree by diplomatic considerations. As noted previously, Mexico had been part of the responsibility of the trade commissioner in New York, assisted by a trade correspondent. This was clearly an untenable situation and became more so with the opening of an Australian embassy in Mexico City in 1967. In the embassy the trade correspondent was upgraded to a marketing officer who was under the line management of the head of mission but still responsible to New York for trade promotion activities. Situations such as this were not uncommon and could lead to friction and reduced effectiveness.

It was not long before the ambassador, Dudley McCarthy, was writing in studied language to his head of department about the ‘awkward administrative aspects in relation to the Trade arrangements at present existing’ that ‘do not lend themselves to clear solutions’.⁴⁰ This was not a complaint about the marketing officer (S. Escamilla), who was regarded as excellent. The issue was a lack of distinction between political and commercial matters that impeded the smooth operation of the mission.

In absolute terms Australian exports to Mexico were substantial in the second half of the 1960s and averaged almost \$15 million per annum.

But 85 per cent of the total was wool, traditionally classified as 'non-promotable' because sales were made through the centralised auction system in Australia. Other items such as machinery and minerals were sold in relatively small quantities. Nevertheless, Cabinet was willing to support the opening of a trade office in Mexico City, largely on the promise of future growth: Australian exports represented only 0.5 per cent of total Mexican imports.

Dudley Fagg established the trade office in 1969. The year before, he had been responsible for the opening of the Milan post and had experience previously in Port of Spain. As was to be expected, Fagg and his successors in the 1970s found the Mexican market tough although occasionally rewarding. The United States dominated the Mexican market with more than half the sales; Japan also offered strong competition. Australia barely held its own, but it was a creditable performance in view of the sharp decline in wool exports. Dried milk established itself as a substantial new commodity, and there was useful growth in processed and unprocessed minerals exports as well as in agricultural and other machinery. Despite the vicissitudes of the Mexican economy over the subsequent quarter century, the Mexican post was maintained as the most substantial location in Latin America.

The Buenos Aires post (established in 1965) proved to be a significant disappointment. A myriad of factors limited trade between Australia and Argentina: the protectionism of the Peronist regime, the shipping ban on Chile that had a secondary impact on Argentina, the high cost of shipping across the Pacific, the chronic payments difficulties of Argentina, and the fact that Argentina and Australia were competitive rather than complementary, although it is fair to add that Argentina was deficient in some minerals. In the late 1960s the value of exports to Argentina was less than \$1 million. A report written in 1968 noted that the 'trade development role of the Post had to a large extent been inoperative'.⁴¹ The role of the trade commissioner was limited to providing information on production and export policies and the encouragement of mutual understanding.

A decade later there had been no material change in the situation. A detailed assessment conducted by the trade commissioner in 1978 concluded that trade prospects were so limited that the senior members of the office should be transferred to Santiago, and the Chilean post reopened.⁴² It was an unusual judgment because trade commissioners rarely reported adversely on posts while they were in occupation. With the improvement in economic conditions in Chile, Santiago was reopened but Buenos Aires was retained.

The disappointing result of the South American strategy was hardly surprising in view of the chronic political and economic instability of many parts of the region in the 1960s and 1970s. We should also note that the



A. Wood, Assistant Secretary, Trade Publicity Branch, addresses a Trade Commissioner Course in Melbourne, 1967. L–R: F.W. Gluth [TC Manila], J. Butler [formerly TC Colombo], M. Daniel [TC Bahrain], G.A. Wotton [formerly TC Malta], T. Walton [TC Bangkok], N. Harris [TC New Delhi], T. Hunt [ATC Lima]

[DEPARTMENT OF FOREIGN AFFAIRS AND TRADE]

post at Port of Spain could not be fully employed for lengthy periods, and was eventually closed in 1979. Together with the disappointments in Africa, the attempt to find new markets in the Southern Hemisphere—New Zealand excepted—had produced modest dividends. Henceforth there was a marked shift in emphasis away from the exploration of broad geographic areas to a more intensive examination of growing markets in which Australian exporters enjoyed a reasonable advantage.

The trade network

During the 1960s and early 1970s the total strength of the trade commissioner service reached 137, with 68 trade commissioners and 40 assistant trade commissioners located abroad. The distribution of posts is indicated in Table 8.4. Although there was further growth ahead, the service had experienced its most rapid period of growth under the benevolent oversight of two powerful ministers. In a sense the period was a golden age for the service. It had achieved acceptance by exporters and, for the most part, its support in foreign lands was warmly appreciated by the business community, senior public servants and ministers. As a small and distinctive part of government, the service had developed a culture and camaraderie of its own. To be sure, a number of commissioners felt that some heads of mission regarded them as unpolished diplomats but this view only served to bind the commissioners closer together.

In an operational sense the commissioners retained a high level of independence. It is true that if they were located in a high commission or embassy—and most were by the early 1970s—they were answerable in a general sense to the head of mission. It is also true that the performance of a commissioner and the post were subject to regular review, but the process was rarely onerous. The commissioners were part of the International Trade Relations Division of Trade and Industry, and a system of ‘desks’ had been developed to support and manage posts. Subsequently this division was divided into the Overseas Markets Division and the Trade Relations Division. In this later arrangement promotional posts reported to the former, while policy posts reported to the latter.

Table 8.4 Distribution of Trade Commission Posts, July 1972

Region	Trade commissioners	Assistant trade commissioners
Asia	17	12
Europe	18	9
North America	13	9
Africa	7	3
Latin America	5	3
Middle East	4	2
New Zealand and the Pacific	4	2
Total at posts	68	40
Pool overseas	2	–
Pool Australia	9	18
Total	79	58

Note: Europe includes Eastern Europe; Africa includes Cairo and Malta.

Source: Cabinet Submission 773, June 1972, Trade commissioner review of establishment 1972, NAA: A5882, CO 452.

The divisions were divided into branches based on coherent geographic spheres, such as Europe, the Americas, the Middle East and so on. Within each branch there was a ‘desk’ based on smaller groups of countries within the larger geographic entity. The desk officer was the first port of call for anyone who wanted to know what was going on in any particular post or country. These arrangements supported the trade commissioners abroad, who generally operated from a small office, typically of five or six persons, with a high degree of autonomy.

In terms of the distribution of trade posts, the balance between strategic market penetration and geographic market exploration remained in favour of the latter. Since the mid-1960s there had been a clear strategic shift in favour of Asia, particularly Japan. The People's Republic of China was the notable exception, an omission—soon to be rectified—arising from a political decision of government. As we have seen, there was also a modest strategic drive into Europe east of the Elbe, and intensification of effort in Western Europe combined with uncertainty about how to handle the problems created by the expanding European Economic Community. Australia was relatively slow to tackle the Middle East but a reasonable start had been made. The department could not have anticipated the radical redistribution of wealth caused by the quadrupling in the price of oil in 1973 and the second oil shock in 1979. North America continued to present a challenge: the department had not yet devised a way of achieving greater penetration of this large and difficult market. It was clear, however, that the geographic exploration of markets, on which the trade commissioner service had been established in the 1920s, had reached its limits.

End of an era

There were other ways in which the early 1970s marked a turning point in the history of the service. The first and most obvious was the retirement of John McEwen as minister for trade and industry in 1971. By the 1960s McEwen's command of the Trade and Industry portfolio was complete, and he was rarely, if ever, challenged in Cabinet. Indeed, the ease with which McEwen secured approval for the expansion of the service allowed some looseness in the development of decisions, and this was not



*D.H. McKay,
Secretary,
Department
of Trade and
Industry,
1971–1972;
and Overseas
Trade
1972–1977.
[DEPARTMENT
OF FOREIGN
AFFAIRS AND
TRADE]*

in the long-term interests of export policy or of the trade commissioner service. Indeed, as a result of McEwen's almost twenty-two-year tenure of essentially the same portfolio, the Department of Trade and Industry—including the trade commissioner service—had become identified with the politics of the Australian Country Party (subsequently the National Party). The perception was reinforced when Doug Anthony chose Trade and Industry as his portfolio when he succeeded McEwen. This had significant consequences when the Labor Party secured government in 1972 and again in 1983.

The year 1971 also marked the end of an era in the sense that the secretary of the department, Sir Alan Westerman, retired along with McEwen. The two men had combined to form a remarkably powerful team and one that challenged Treasury in the sphere of economic policy. Westerman, a former trade commissioner himself, nurtured the service through its growth in the 1960s and played a large part in the development of its operational philosophy. Westerman was succeeded in 1971 by Doug McKay, who, like Sir John Crawford before him, was a former director of the Bureau of Agricultural Economics. McKay faced a challenging time steering the ship through the shoals of the Whitlam government, the structural separation of Trade from Industry, and a close examination of the role and functioning of the trade commissioner service.

It was the end of an era, too, in the sense of fundamental change in a number of structural characteristics of world trade. The most conspicuous of these were the collapse of the Bretton Woods system by which the United States dollar was pegged to gold, the major currency realignment that followed in the second half of 1972, and the accession of Britain (and three other European countries) to the European Economic Community in 1973. There was also evidence that the level of protection around the world was on the rise and, as a consequence, the relatively smooth expansion of world trade characteristic of the 1960s might not be maintained.

These concerns were expressed by Minister Anthony in a detailed ministerial statement on international trade in September 1972.⁴³ The greatest challenge was to find new markets to replace the expected loss of market share in the European Economic Community. Anthony was confident that this could be achieved by further penetration of markets in Asia and possibly Eastern Europe and North America; the Middle East also offered opportunities. To achieve the objective, the minister proposed the traditional cocktail of trade policies: trade agreements (preferably multilateral in scope), international commodity agreements, the provision of export incentives, finance and insurance, together with trade promotion and publicity with the support of an expanded trade commissioner service. Anthony could not have

anticipated the greater than expected disruption to world trade in the 1970s as a consequence of the two oil shocks, high inflation, currency instability and rising unemployment. In these conditions the trade commissioner service faced a testing time and a period of intense scrutiny.

9



Under surveillance

*James Scully,
Secretary of the
Department
of Trade and
Resources,
1980–1983.
[NATIONAL
ARCHIVES OF
AUSTRALIA]*

The environment within which the trade commissioner service operated changed fundamentally, and permanently, in the 1970s. Under the coalition government since 1949, the steady expansion of the service proceeded without challenge and with only moderate scrutiny. This changed abruptly in 1974 with the imposition of staff ceilings on all government departments. Although the Whitlam government, which came to power in December 1972, was deeply suspicious of an organisation that had been so closely identified with powerful ministers of the Country Party (National Party from 1971), it was the need to restrain government expenditure that provided the trigger for a change in direction. Soon after the change of government, the service was subjected to a series of independent reviews and, in the process, serious questions were raised about the structure of Australia's foreign service and about the need for the retention of the Trade Commissioners Act that provided the service—and individual commissioners—with status and a degree of independence.

These questions were symptomatic of a change in the balance of power between Foreign Affairs and Trade. As discussed in previous chapters, Trade carried all before it under the coalition government prior to 1973;

Foreign Affairs (and its predecessor, External Affairs) was not central to the government's main economic concerns and was, for much of the period, relatively small and narrowly focused.

This changed dramatically under Whitlam. The prime minister was also foreign minister for the government's first year and continued to dominate foreign policy. A high priority was the transformation of Australia's foreign orientation. Recognition of the People's Republic of China, the granting of independence to Papua New Guinea and economic support given to developing countries were indicative of the new policy position. At the same time Trade, shorn of its Industry responsibilities and renamed the Department of Overseas Trade, was not central to Whitlam's program. Overseas Trade continued to be one of the responsibilities of the deputy prime minister for part of the time, but within Cabinet there is no question that its standing had slipped. Foreign Affairs, long aggravated by the dual structure of the foreign service and the degree of independence of the trade commissioners, pressed hard to assert its authority.

These changes took place against the backdrop of deterioration in Australia's trading performance in the 1970s. At the beginning of the decade the external position was reasonably robust, buoyed as it was by the boom in mineral exports. After 1974, however, the first oil shock and the subsequent slowdown in world trade took their toll. By the end of the decade there was a sense of foreboding about Australia's external position, as had occurred so often in the past.

Despite the less favourable political environment and the close examination of the role of trade commissioners, the service continued to grow through most of the decade. The new posts that were opened were located primarily in Europe and the Middle East. In addition, the opening of an office in Beijing was an important strategic move. Expansion of the service against the background of stringency in public expenditure was due, once again, to the substantial deficit on current account.

But it is also true that change was in the wind. Foreign Affairs had made progress in arguing against the continuation of a dual foreign service. More important, there was a drive for greater effectiveness on the part of commissioners to help arrest the ballooning current account deficit. The conditions were building for radical surgery with the election of the Hawke Labor government in 1983.

This chapter will devote less space than previous chapters to individual posts and more to the debate about the role and structure of the trade commissioner service. This is not an indication of a lessening of the importance of individual posts; rather, it reflects a gradual shift to a more strategic focus in policy development.

Deterioration in export performance

Table 9.1 indicates the disappointing export performance in the second half of the 1970s. Once again much of this was due to a further deterioration in the terms of trade rather than to a downturn in export volumes. But we should also note that the ratio of exports of goods and services to GDP remained largely unchanged, an indication that exports did not provide an engine of growth.

Table 9.1 Indicators of Export Performance, 1969/70 to 1982/83

Year	Exports of goods and services (\$m)	Ratio of exports of goods and services to GDP (per cent)	Current account balance (\$m)	Terms of trade 1969/70 = 100
1969/70	4,749	15.0	-663	100.0
1970/71	5,065	14.5	-756	89.7
1971/72	5,659	14.5	-304	86.4
1972/73	6,984	15.7	745	101.2
1973/74	7,847	14.7	-929	106.1
1974/75	10,034	15.5	-1,215	98.7
1975/76	11,101	14.5	-1,453	94.1
1976/77	13,275	15.2	-2,510	90.9
1977/78	14,067	14.8	-3,043	82.6
1978/79	16,631	15.5	-3,715	83.3
1979/80	21,716	17.9	-2,081	86.4
1980/81	22,191	16.1	-5,606	85.7
1981/82	22,885	14.7	-9,136	84.1
1982/83	24,685	14.5	-6,826	82.6

Source: Norton and Aylmer, *Australian Economic Statistics: Tables*, Tables 1.1, 1.11 and 1.14.

The central problem was the composition of Australian exports. As had been the case for most of the twentieth century, world demand for Australian exports—mainly bulk commodities—was growing less rapidly than world exports as a whole. Despite much exhortation, there had been only modest progress in expanding the proportion of exports of elaborately transformed manufactures.

As a further indication of performance, a research paper by the Department of Trade and Resources in 1982 found that:

- Australia's share of world trade (excluding centrally planned economies [CPE]) fell from 1.68 per cent in 1970 to 1.18 per cent in 1980.
- Australia's ranking as an exporter (again excluding CPE) fell from twelfth to seventeenth over the same period.
- Of the thirty-three largest exporters, which accounted for 86 per cent of non-CPE world exports in 1980, all but three achieved higher export *value* growth rates than Australia.
- Of the twenty-six largest Western exporters for which data are available, all but six were able to achieve higher export *volume* growth than Australia.¹

One should not overstate the position: Australia was not in a crisis of 1930s proportions, but she was not in a sound position to deliver a reasonable rate of economic growth over the long term.

An almost-steady state

After twenty-three years in office, the departure of National and Country Party ministers from the helm of the Department of Trade and Industry (and its predecessor) was bound to produce a change in priorities and style. As noted, the Labor Party presumed that the department—and with it the trade commissioner service—was a bastion of rural political influence and anti-Labor sentiment.

On this occasion, however, the changes were relatively modest. The most important was the division of Trade and Industry into two new departments: the Department of Overseas Trade, which contained all the trade-related responsibilities of the old department, and the Department of Secondary Industry (renamed Manufacturing Industry in June 1974). Initially Dr Jim Cairns was minister of both departments, although he divested Secondary Industry in October 1973.

Cairns was an interesting choice as trade minister. He was a former academic, author, humanist, passionate and eloquent critic of the Vietnam War, advocate of economic planning and a popular leader of left-wing causes. He was also an internationalist with a keen interest in Asian affairs, but there is no evidence of a particular interest in the hard business of international trade.

Several trade posts that had been approved as a result of the biennial review of July–August 1972 had not been established before the change of government. Cairns allowed these to proceed. The first of these was São Paulo,

opened in 1973 with Rudi Schneemann as commissioner. The argument in favour of Brazil was that it was the largest importer in Latin America, that economic growth was quite rapid, and that Brazilian industrialisation required increased inputs of coal and other minerals. Australian exports to Brazil comprised mostly coal, chemicals, aluminium, zirconium and malt; there were reasonable prospects of increasing these and of broadening the base to include sugar-cane harvesting equipment, mining equipment and an additional range of minerals.

The other two posts were Belgrade and Warsaw. This was part of the strategic thrust into Comecon, and followed trade survey missions to Czechoslovakia and Poland in October–November 1971 and a mission sponsored by the Export Development Council to Hungary, Romania, Bulgaria and Yugoslavia in April–May 1971. The Belgrade post, opened by Frank Street in 1973, covered Yugoslavia, Romania, Bulgaria and Albania. These countries represented a relatively large market of \$26 million in 1970/71, mostly for wool, skins, hides and grain. The Warsaw post, opened by John Morey, also in 1973, was largely focused on Poland but also included East Germany. Poland was a market of some \$10 million, again predominantly of traditional bulk commodities. This completed for the time being a network of posts within Comecon. The responsibility of the Vienna post was reduced to the more manageable territory of Austria, Czechoslovakia and Hungary, while Moscow concentrated on the potentially large USSR market. The obligatory bilateral trade agreement had been concluded with most of the countries, and the ‘mixed commissions’—the required negotiating forum—had been established.

Turning now to the approach of the Whitlam government, there was no sense in which the trade commissioner service was singled out for special attention in either a positive or negative sense. The trade posts that were opened on Whitlam’s initiative and by the Fraser government through to the end of 1982 are summarised in Table 9.2. To be sure, trade was not at the top of the new government’s political agenda but, despite criticism of the former Department of Trade and Industry, there was no sense of punitive action. When political priority and commerce intersected, however, the government acted swiftly and decisively. Recognition of the People’s Republic of China had been on the agenda of the Labor Party since the 1950s, and Whitlam had increased the political temperature with his well-publicised visit to the People’s Republic in 1971. The country was granted official recognition within weeks of Whitlam securing office, and in the following twelve months there was a flurry of excited activity that included the opening of a trade office in Beijing as part of the new Australian embassy.

Table 9.2 Trade Commissioner Posts Opened and Appointees, 1973 to 1982

City	Date established	Appointee	Appointment dates
Beijing	1973	S.J. Clark	1973–74
Port Moresby	1974	C.R. Brown	1974–76
East Berlin	1975	J.R. Garran	1975–78
Jeddah	1975	M.J.B. White	1975–77
Madrid	1975	E.B. Dillon	1975–80
Manchester	1975	N.L. Harris	1975
Tel Aviv	1975	J.L. Holmes	1975–77
Baghdad	1977	J.G. Graves	1977–78
Algiers	1979	H.E. McClelland	1979–82
Kuwait	1979	H.M.G. Daniel	1979–80
Tripoli	1979	B. Conduit	1978
Abu Dhabi	1979	J.B. Graves	1979–81
Houston	1982	J. Butler	1982

Note: This table overlaps with Table 8.2 because both tables include trade posts opened in 1973. Those included in Table 8.2 were on the initiative of the Liberal–National Party coalition government. The post opened in 1973 and included in this table was an initiative of the Whitlam Labor government.

The activity involved a high-level delegation to the People's Republic of China in May 1973 that included Sir Ian McLennan, chairman of Broken Hill Pty Ltd, and twelve other senior businessmen and bankers. A return visit to Australia by the PRC minister for foreign trade, Pai Hsiang-kuo, was the occasion for the completion of a renewable three-year trade agreement between the two countries. The agreement was largely conventional in that it conferred most-favoured-nation status on trade between the two countries, but it also made provision for the negotiation of long-term contracts. A joint trade committee was established, and this met annually to discuss bilateral issues.

Also in 1973 a contract for the supply of \$600 million of Australian wheat to China over three years was completed. In July an eight-person Chinese wool delegation visited Australia, and shortly afterwards Australia was invited to mount a trade exhibition in Beijing scheduled for October 1974. To round out the honeymoon year the prime minister visited the People's Republic of China in November 1973 and held lengthy discussions with Premier Chou

En-lai and Chairman Mao Zedong.² Australian businessmen stumbled over themselves to secure an invitation for a visit. They were reminded, however, that politics and commerce in China formed a seamless web, and that they would be obliged to deal with government trading corporations.



Chinese Trade Minister, Pai Hsiang-kuo (C), with Prime Minister E.G. Whitlam (R) and Minister for Trade, J.F. Cairns, at the signing of an Australia–China Trade Agreement, 1973. [DEPARTMENT OF FOREIGN AFFAIRS AND TRADE]

To set up its mission in Beijing, it was made clear that the senior officials must be fluent in Mandarin. The first ambassador, Dr Stephen FitzGerald, was a distinguished linguist and scholar of China. The inaugural trade commissioner, John Clark, was an educator and linguist fluent in Chinese and had a working knowledge of several other Asian and European languages. Clark did not stay long in the position because of tensions within the embassy and was replaced by Bruce Conduit in 1974. Conduit was scheduled to be posted to Osaka, but was suddenly diverted to fill the vacancy in Beijing. At the time, Conduit was a single person and found that those without attachments were much more likely to be re-posted or diverted at short notice.

For both Clark and Conduit the first few years in Beijing were intensive and demanding. There was a constant flow of trade missions, business visits and ministerial visits in both directions. The Australian exhibition in Beijing in October 1974 was a major undertaking, involving over 100 Australian



Crowds watching an Australian packaging exhibit at the Australian Exhibition in Beijing, 1974. [DEPARTMENT OF FOREIGN AFFAIRS AND TRADE]

exhibitors. It was also a massive logistical undertaking that required the use of two specially chartered Qantas jets, the import of cattle and sheep for display, the chartering of a ship to transport bulky display items and the organisation of six trains to transfer these items from the port city of Hsinking to Beijing. Frequently trade commissioners were obliged to contribute to the management and coordination of a large number of individual tasks.

The value of the Whitlam initiative in opening relations with the People's Republic of China was amply demonstrated during the remainder of the 1970s. This was in spite of the fact that at the time China was not a large trader by world standards and preferred as much self-sufficiency as possible. Over a lengthy period Australia had exported wheat and wool in reasonable quantities to the People's Republic of China, but the amounts fluctuated substantially depending on rural and industrial conditions in China. In 1971/72, for example, total Australian exports were \$37 million, comprising mainly industrial raw materials such as pig iron, wool, iron and steel, and tallow. By the end of the decade exports totalled \$845 million and China had become Australia's sixth largest trading partner. The main exports were industrial raw materials and bulky agricultural commodities such as wheat and sugar. This is not to suggest that the relationship was free of difficulties. The Chinese were concerned about the levels of Australian protection, its anti-dumping provisions and the large trade balance in Australia's favour. It was usually possible to work through these issues in the joint trade committee.

*Australian
Minister
for Trade,
J.F Cairns (C),
with the
Australian Trade
delegation in
China, 1973.*
[DEPARTMENT OF
FOREIGN AFFAIRS
AND TRADE]



A further strategic initiative of the Whitlam government was the decision to grant independence to Papua New Guinea. From a trade point of view this was important because Australia supplied around one-half of PNG's imports. These exports amounted to \$256 million in 1971/72. Australia supplied a wide

range of foodstuffs and manufactures, notably rice, canned fish, meat, sugar, automobiles and parts, and industrial equipment.

It will be recalled that trade between Australia and Papua New Guinea was supported by a trade commissioner located in Sydney (Colin Brown on the eve of independence). Self-government was granted in December 1973 and full independence on 16 September 1975. It was decided to relocate the commissioner from Sydney to Port Moresby early in 1974 to prepare for the changes that were likely to follow independence. For example, a substantial reduction in the expatriate population was expected following independence and this would flow through to demand for imports from Australia. It was also likely that competition would increase as Papua New Guinea sought to achieve higher levels of self-sufficiency. But there were also opportunities. Significant development projects were in the pipeline and, as in the past, there were good prospects for Australian participation. There was no doubt that strong trade representation was required in the newly independent country.

In 1973 an initiative of a different kind that had implications for the trade commissioner service was the government's decision to provide support for developing countries, particular those in Africa. This was partly a rejection of apartheid and partly a positive gesture of support for the indigenous people of Africa. The support was in the form of tariff concessions on imports from developing countries, which came into force on 1 January 1974.

An indication that the government viewed the trade commissioner service in a positive light, as distinct from overseas trade more broadly, is that the scheduled biennial review of the service that was due in mid-1974 proceeded in customary fashion. The review was conducted by the department in the normal manner and was not subject to ministerial intervention. Once again substantial additions to the service were proposed, mostly in Europe and the Middle East. Seven new posts were proposed: East Berlin, Madrid, Manchester, Jeddah, Tel Aviv, Lagos and Pyongyang.

The strengthening in Europe was a response to particular circumstances rather than a broad reassessment of strategy. In the case of East Berlin there were parallels with the China story. In the 1960s trade between Australia and the German Democratic Republic (GDR) was underdeveloped despite the prospect of exchanging bulk commodities for German manufactures and technology (particularly the treatment of lignite). This was due in large part to the absence of diplomatic recognition. In the early 1970s Australian exports were in the range of \$10 million to \$15 million, mostly of bulk commodities. The German Democratic Republic was part of the territory of the trade commissioner in Warsaw but, as was often the case, it was difficult to promote trade from such a distance.

Trade between the two countries developed rapidly after formal recognition of the German Democratic Republic in December 1972. A high-level GDR trade delegation visited Australia in October–November 1973 and a trade agreement was signed in February 1974. The agreement included the standard most-favoured-nation treatment, and provided for the facilitation of trade in specified goods, industrial and technical cooperation, long-term commodity agreements and the obligatory ‘mixed commission’ to support the expansion of trade and industrial cooperation. The opening of a trade office was agreed in principle, but there was a short delay until the Australian embassy in Berlin was completed. The office was opened in 1975 with John Garran as commissioner.

In the meantime, the Australian–GDR mixed commission held its first meeting in Berlin in April 1974. Jim Scully, deputy secretary of the department, led the Australian delegation. At much the same time there was strong Australian participation in the Leipzig spring fair and, in 1975, an Australian trade mission made a follow-up visit—again to coincide with Leipzig. It has to be said, however, that the early results were disappointing, and the trade agreement worked in favour of the German Democratic Republic. Australian exports were volatile; they grew to \$17.6 million in 1974/75 and then slumped to \$10.4 million the following year. GDR exports to Australia, by contrast, almost doubled in the first half of the 1970s to reach \$16 million in 1974/75.

The argument in favour of a trade post in Madrid was based on the rapid growth of the Spanish economy in the 1960s. As state control gave way to a degree of economic liberalism in the post-Franco era, economic growth averaged 7 per cent per annum for most of the decade. In turn this gave rise to rapid growth in the demand for imports as Spain modernised. Australian exports to the country had increased from negligible proportions in the early 1960s to a respectable \$22.5 million in 1972/73, comprising mainly wool, minerals and mineral ores, hides and skins. There appeared to be good prospects for an expanding market for these commodities as well as for iron and steel, mining, earth-moving equipment and foodstuffs.

Hitherto Spain had been part of the territory of the Paris office, but it had become increasingly difficult to promote Australian products from a base north of the Pyrenees. It was always especially difficult to organise trade displays in the absence of on-the-spot representation. Accordingly the creation of an office in Madrid was approved by Cabinet and it was opened by Edmund Dillon in 1975. Dillon had previous experience in the Mediterranean region, had served in Cairo and had opened the short-lived post in Valletta. Although Spain was not able to maintain its previous rate of economic expansion, opening in Madrid was a sensible decision and the post became a continuing part of the network of trade offices.

It is less clear that the decision to open in Manchester was adequately considered. The possibility of opening a post in the north-west of England had been mooted from time to time, partly to relieve pressure on London and partly to enhance trade promotion in an important industrial area of the country. The problems of London, discussed in previous chapters, were continuing. As before, trade commissioners and support staff in Australia House continued to struggle with inadequate accommodation and were inclined to be overwhelmed by the politics of trade, politely described as trade policy. A report written in 1978, for example, suggested that ‘workload pressures are such that it is estimated that 90% of the office work is “reactive” leaving little scope for “initiative” work’.³ Another indication of this was that it was estimated in 1977 that ‘conference work’, as distinct from preparation for conference, consumed more than one-person-year at the level of trade commissioner.

On the face of it, the location of a trade office in Manchester was a reasonable proposition. The region had a population of 19 million and contained one-half of the manufacturing capacity of the United Kingdom. Accordingly there was a substantial demand for Australian minerals and foodstuffs. There was also a heavy concentration of corporations with local headquarters. Noel Harris, with previous experience in Calcutta, New Delhi and New York, opened the office in 1975.

From the outset the new office struggled. The office was not established as effectively as was customary, but the main problem was that Australian business visitors had little interest in visiting the north-west of England. It was an old story. Despite the dramatic changes in the direction of Australian trade, Australian business people were drawn to London (and New York) as if by a magnet. At the same time, a drastic ‘slimming’ program had been imposed on Australia House. In 1974 Prime Minister Whitlam had instructed the Public Service Board to undertake a major review with a view to achieving savings. The review was overdue. Since World War II Australia House had grown like topsy with many departments scrambling to be represented and with as many as 1,000 Australian-based and locally engaged staff trying to find sufficient elbow room. The outcome of the review was a drastic downsizing by around one-half over several years. The size of the London trade office was reduced sharply, so much so that by 1978 senior staffing in London was reduced to a senior trade commissioner (mainly concerned with policy work), and one commissioner and one assistant devoted to trade promotion.

In these circumstances it was difficult to justify the continuation of Manchester. Roy Barcham, one of the most senior commissioners in the service, was transferred from Papua New Guinea in 1978 to take responsibility, but the

decision to close had already been made. Barcham closed Manchester in 1979, and then assumed responsibility as senior commissioner in London. With Australian exports to the United Kingdom down to 5 per cent of total exports, and the impact of the United Kingdom's entry to the European Economic Community beginning to bite, the decision to open in Manchester was non-strategic; in view of the restraints on public expenditure in the mid-1970s, it was also unaffordable.

After the first oil shock and the massive transfer of wealth to the Middle East, there was a compelling case for further strengthening Australia's trade representation in the region. It will be recalled that trade posts had been established in Beirut, Bahrain and Tehran; there was also a post in Cairo, which was often regarded as part of the Middle Eastern network. The most conspicuous gap was Saudi Arabia, a country that was only beginning to open to foreigners.

Saudi Arabia had been part of the territory of the Bahrain post, but the extent of support was limited to a tour program of twenty days a year and the occasional ad hoc visit. With the opening of an embassy in Jeddah in 1974, there was every reason to create a trade office. Jeddah was chosen because it was the main port and commercial centre, the designated place for diplomatic



Cartoonist G. Pryor provides a satirical take on cultural sensitivities and trade, April, 1980. At the time, Deputy Prime Minister and former Minister for Trade, D.J. Anthony, was attempting to prevent the screening in Australia of a controversial film about Saudi Arabia, on the grounds that its showing might give offence to the Saudis and harm Australia–Saudi Arabia trade development.

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representation, and the point of disembarkation for the hadj. Ian Haig, the first ambassador, a former trade commissioner himself, recommended this course of action. Cabinet agreed, and Jack B. White opened the post in 1975. With the Saudi Arabian economy growing at almost 10 per cent per annum and heavily dependent on imported supplies and consulting services, it was not long before the country was one of Australia's more important markets.

There were, of course, difficulties. At first, shipping to Red Sea ports was irregular and did not provide for sufficient continuity of supply, although by the end of the decade the situation was much improved. Shipping to the eastern seaboard port of Dammam was reasonably good from the outset. Again the quality of some Australian products was subject to criticism in the early years, but Colin Williams (the trade commissioner in Jeddah in 1978–1979) thought that a sound reputation had been achieved over time.⁴ Although Saudi Arabia was free of the import restrictions characteristic of most developing countries, there were operating difficulties—the absence of street signs, the need for an understanding of Islam, of the Arabic language, of numbers on buildings, and so on. Even so export growth to the country was rapid. In 1973/74 exports amounted to \$24 million and had increased to \$100 million by 1979/80. Food items comprised 85 per cent of the total. There were also growing opportunities in the provision of infrastructure and items such as agricultural machinery. Given the nature of the market, however, trade representation was fundamental for the advancement of trade.

There was a curious twist to the expansion of representation in the Arab world. With the opening of Jeddah, Australia had five posts in Arab countries. The issue of whether Israel should be allocated a post emerged. The matter had been considered over an extended period, and several small trade missions had visited the country. But the verdict was that the volume of trade did not justify a separate post, and that a marketing officer located in Tel Aviv reporting to the commissioner in Athens would be sufficient. In 1972/73 Australian exports to Israel amounted to \$6 million, with only modest prospects for expansion. The case in favour of a new post in Tel Aviv was at best marginal.

The issue that swung the balance was the policy of the Whitlam government to display an even hand in the politics of the Middle East. The government was also under strong pressure from the Australia–Israel Chamber of Commerce to strengthen its trade representation in the country, a position that was supported by the Australian ambassador in Tel Aviv. Accordingly John Holmes was invited to open the new post in 1975. After postings in Kuala Lumpur, Singapore, Jakarta, London, Lagos, Los Angeles and Bangkok, Holmes was one of the better travelled commissioners, and found Tel Aviv interesting and rewarding because of the sophisticated development of the Israeli economy in the 1970s.

Israel was one of the few new posts influenced by political considerations, but it managed to earn its keep for most of the time.

As part of the 1974 review, the government determined to try again in West Africa. It will be recalled that a trade post had been opened in Accra in 1960 but this was relocated to Lagos in 1965 because of the disastrous financial policies of the Nkrumah regime. When civil war broke out in Nigeria over the issue of the secession of Biafra, the post was closed and responsibility for the region was transferred to Nairobi.

There were several reasons for renewed optimism about Nigeria. The civil war ended in January 1970 and there were distinct signs of economic recovery in the early 1970s. These signs were augmented by the escalation in the price of oil in 1973. Further, Prime Minister Whitlam had decreed that Australia would strengthen its relations with independent African states. As the largest and most populous state in tropical Africa, Nigeria was an obvious candidate, even though it remained a desperately poor country.

The reopening of the Lagos post towards the end of 1975 was achieved by the transfer of a commissioner, Frank Walsh, from Nairobi. The office was given responsibility for all countries in the West African region. There were some hopeful signs. Australian Droughtmaster cattle were exported in

small quantities, as was sugar-cane harvesting equipment. A trade display with some forty exhibitors was arranged for March 1977 and attracted a good deal of interest. But Australian exports to Nigeria remained extremely modest. In 1974/75, for example, they amounted to \$3 million, although



*B.J. Rank (L),
Trade
Commissioner
in Nairobi,
on a visit to
Ethiopia, with an
Australian Trade
Office staff (C)
and Lt Girma
W. Giorgis, Trade
Correspondent,
1974.
[DEPARTMENT OF
FOREIGN AFFAIRS
AND TRADE]*

they were on the rise. With a clamp on public expenditure imposed by the Fraser government, the future of the Lagos post was reviewed in 1978 and it was decided to close once again (it closed early in 1979). Responsibility was returned to Nairobi, an embarrassing about-turn. West Africa remained too great a challenge.

For Asia there were relatively few changes in 1974. Hong Kong had been given additional territorial responsibility for Burma, North Vietnam and Macao; it also had a continuing role with the People's Republic of China in

support of the Beijing office because most missions, delegations, business people and officials entered China through the British colony. A continuing showroom was also opened in mid-1973. Accordingly an additional position of assistant commissioner was created. Similarly the Jakarta post was strengthened because of the frequency of major industrial trade displays, specialised product missions and the recently opened trade commissioner's showroom.

The greatest change in Asia was a mooted trade office in Pyongyang in the People's Republic of North Korea. The grounds for opening the office were extremely sketchy. It was acknowledged that North Korea was an almost-closed economy, and that trade was dominated by the Soviet Union and China. The assumption was that the country would gradually open and that in order to compete with these countries 'it will be necessary for Australia to develop a detailed knowledge of the [North] Korean market'.⁵ Mostly, however, the proposal was prompted by the commitment to strengthen relations with developing countries.

It is perhaps fortunate that the proposal failed to materialise. Because of emerging financial pressures, opening in Pyongyang was to be delayed for a year or two and, in any case, it was contingent on the opening of an Australian embassy. The much tougher criteria applied by the Fraser government when it came to power in December 1975 meant that the proposal was abandoned.

There is no doubt that the Whitlam government injected a greater political element into the deployment of additional trade commissioners. Several of the decisions—Manchester, Tel Aviv, Lagos and Pyongyang—did not bear commercial fruit. But the opening of Beijing and enthusiastic embrace of trade with the People's Republic of China easily outweighed these miscalculations.

Staff ceilings imposed

As the year 1974 matured, the Whitlam government faced a raft of economic pressures: a resources boom that fed into rising inflation, a wages explosion, galloping public expenditure associated with implementation of the government's ambitious program, and rising unemployment. This is not the occasion for a detailed economic exegesis, but we should note that this was the background to a major review of the overseas service and, in particular, of the relationship between officers of the Department of Foreign Affairs and the trade commissioner service. On his frequent overseas travels Whitlam had formed the view that there was extravagance in the staffing of some missions—particularly in London—and that the deployment of resources failed to reflect the government's policy priorities (e.g. the maintenance of two trade posts in South Africa and inadequate representation in developing countries).

Accordingly Commissioner James Taylor, the Commonwealth public service arbitrator, was appointed to conduct a review of overseas representation, and this was followed by a request to all relevant ministers to ‘critically reassess their staffing needs at overseas posts with the aim of reducing overall staffing numbers and redeploying those reduced numbers to reflect the changes in the government’s foreign policy’.⁶

To some degree overlapping these initiatives, Whitlam had appointed a Royal Commission of Inquiry into the Australian Public Service, to be headed by Dr H.C. Coombs, the former governor of the Reserve Bank of Australia. The Australian public service had not been reviewed since 1920, and the task before it was massive. Inevitably the inquiry would take time to complete: in the event the report was not finalised until after the termination of the Whitlam government’s commission in November 1975. The purpose of the inquiry was to secure broad modernisation of the public service and to improve its efficiency.⁷ The trade commissioner service was, of course, swept up in such broad terms of reference.

The royal commission received the usual range of submissions, but the detail work on overseas service issues was allocated to Justice Ian Sharp, deputy president of the Conciliation and Arbitration Commission and a former secretary of the Department of Labour and Immigration. Sharp visited selected missions abroad and was briefed extensively by Foreign Affairs and Overseas Trade. It is clear that Foreign Affairs seized the opportunity to pursue its agenda for the creation of an integrated foreign service, with the heads of overseas missions enforcing their authority over all aspects of overseas representation. In his discussions with trade commissioners during his overseas visits, Sharp targeted the continuing relevance of the Trade Commissioners Act. Foreign Affairs was antagonistic to the legislation, which either directly or indirectly accorded trade commissioners standing that diplomats did not enjoy. As a result of Sharp’s visit to Beijing, for example, it was reported that:

[Sharp] appeared to be quite open to suggestions with a notable exception, namely that he was quite convinced that the Trade Commissioner’s Act [sic] should be repealed ... He felt that a separate Trade Commissioners Act was incompatible with what he saw as being the administrative role of [the] Ambassador.⁸

Following Foreign Affairs, Sharp also canvassed the idea of creating a ‘mega department’ to handle Australia’s overseas representation, although such a suggestion might have been beyond his terms of reference. An alternative was to second commissioners to Foreign Affairs while on an overseas posting.

Trade commissioners kept in close touch with one another, and when such ideas were in the wind news travelled around the service like a wildfire.

Those commissioners that were recruited from the private sector and were not employed under the Public Service Act were particularly concerned. They did not see themselves as public servants and were unlikely to have joined the service if public service membership had been obligatory. More importantly, they believed that the Trade Commissioners Act afforded them an operational independence that was essential for efficiency and effectiveness. It is not clear that the legislation conferred all the benefits that were claimed. Sharp pointed out that putting appointees on contract and thus bypassing the strictures of the Public Service Act could achieve most of the advantages associated with the legislation. While this might have been true up to a point, it ignored the fact that many saw the service as a career and would not have been content with a series of short-term contracts.

Much of Sharp's report to the royal commission was concerned with the adequacy of existing staffing arrangements at overseas posts, conditions of service, inspection arrangements, the management of property and so on. On the future of the legislation covering trade commissioners, Sharp recommended that it be repealed as no longer necessary. He suggested that contract appointments could be made under delegation from the Public Service Board and implied that, by this means, trade commissioners would be assured of sufficient operational flexibility. This part of the report was not closely argued and contained flaws in logic. But Sharp's substantive argument was clear enough. Foreign Affairs was pressing for its own legislation or for legislation that would create an integrated overseas service. Sharp was opposed to both. As he explained:

Clearly it would be difficult to justify the repeal of the Trade Commissioners Act at the same time as a Foreign Service Act was introduced. If both Acts were to exist to cover the overseas activities of [Foreign Affairs and Overseas Trade] ... other departments could make similar claims.⁹

The judge was also opposed to the creation of a mega department to house both diplomatic and trade staff, and he had some tart things to say about the 'closed shop' culture of Foreign Affairs. He considered that the pattern of recruiting outstanding university graduates direct into Foreign Affairs and holding them for the remainder of their careers produced a narrowing of perspective and experience. He much preferred the greater diversity of recruiting and background of the trade commissioners and the other staff of Overseas Trade. Indeed, Sharp regarded the service as well organised and effective. The legislation of 1933 was his only real concern.

The report of the royal commission was not completed until 1976 and was thus handed to the incoming Fraser government (elected December 1975). Doug Anthony returned as minister for overseas trade and for natural

resources; the department was shortly to be renamed Trade and Resources in recognition of the importance of mineral resources in the country's export effort. Anthony persuaded Prime Minister Fraser not to accept this part of the royal commission's report. But this was no more than a reprieve. The issue of the relationship between Foreign Affairs and Trade had been placed firmly on the agenda. Under the Whitlam government, the astute secretary of foreign affairs, Alan Renouf, had manoeuvred the department into a much more powerful position than had been the case in the Menzies–McEwen era. Clearly, Foreign Affairs was no longer trailing Trade in overseas representation as it had been from the 1930s to the 1960s. Indeed, it was frequently necessary for Foreign Affairs to establish an embassy before a trade post could be opened. The return of the coalition government slowed the shift in the balance of power; it did not reverse the process.

We now need to retrace our steps to the closing year of the Whitlam government, when the economy was under considerable pressure and when the government was responding erratically. Following the review of overseas representation, particularly in London, a general ceiling on public service positions was imposed with effect from 1 January 1975. This was modified soon afterwards, however, to allow for an increase in public service positions of no more than 1½ per cent for the fiscal year 1975/76, an adjustment that reflected concern about rising unemployment. In the case of the trade commissioner service, no upward adjustment to the ceiling was permitted. Whitlam was clearly irritated by the extravagance of the Australian establishment in London,

*F. Crean,
Minister for
Overseas Trade,
1974–1975.
[DEPARTMENT OF
FOREIGN AFFAIRS
AND TRADE]*



of which the service was only part, and by the continuation of two posts in South Africa. It was in this context, as noted earlier, that the Cape Town post was closed. Soon afterwards the ceiling was made more precise: the trade commissioner service was limited to 170, plus 475 locally engaged staff. It was accompanied by a warning that the books were not to be massaged by a disproportionate reduction in the number of junior staff or by the use of regular overtime or by the use of consultants.¹⁰

By this time the former treasurer, Frank Crean, was minister for overseas trade. Crean swapped portfolios with Jim Cairns on 11 December 1974, and thus began an unhappy year for the trade minister. Crean defended the service as best he could, but was no match for a rampaging prime minister. He bore the brunt of the criticism for the size of the operation in London, and was obliged to close Cape Town without delay. He tried to lessen the impact with various bureaucratic devices but to no avail.¹¹ It would be too strong to say that the trade commissioner service had fallen from grace, but it was no longer in the vanguard of trade policy.

The events of 1975, reinforced by the much tighter expenditure control imposed by the Fraser government, proved to be an important turning point. Changing priorities had to be achieved by reallocation, not by growth. It is not accurate to suggest that reallocation had not previously been on the agenda. As we have seen, posts were regularly closed and staffing levels in continuing posts were adjusted on an ongoing basis. But, before 1975, reallocation was within a growth paradigm. After 1975 there needed to be a much sharper consideration of priorities, a balancing of costs and benefits of individual decisions. The change affected the public service as a whole.

Cutting the cloth

The trade commissioner service was under continuous review in the four years after the election of the Fraser government in December 1975. There were the regular biennial reviews of the service in 1976 and 1978, followed by a 'global review' in 1979 linked to the 'Export Now' campaign of 1979–1980. In addition, there was a mid-term review in 1977. The service was also subject to review by the economic committee of Cabinet in 1976 and by the Public Service Board, which was used to supplement the Cabinet process. It was also examined by the House of Representatives Standing Committee on Expenditure in 1977 and by the Senate Standing Committee on Trade and Commerce, again in 1977. The reviewers were literally tripping over themselves. There were two overriding reasons for all the activity: the determination of the new government to flatten the growth of public expenditure, and the disconcerting deterioration in Australia's external trading position.

Prime Minister Fraser moved swiftly to impose tough new ceilings on public service employment, including the trade commissioner service. In February 1976 he imposed a staff ceiling of 155 on the service, to be achieved by 30 June 1976, compared with an actual 175 as a result of increases flowing from the 1974 review.¹² This was not achievable within the time specified without breaking contracts or returning people to the public service, for which positions might not be available. Doug Anthony used his considerable political

guile to throw sand in the gears and was able to divert attention to the more considered atmosphere of the 1976 biennial review.

In the meantime, however, the economic committee of Cabinet had been busy examining a number of posts and subposts. It had reached the conclusion that the Los Angeles post should be closed, the establishments in London and Washington should be reduced, and that subposts in Bombay and Calcutta should be closed. These proposals, other than the closure of Los Angeles, were reasonable. It is true that Los Angeles had not always fulfilled expectations, but the proposal to close was short-sighted. Again, Australia's approach to the west coast of the United States lacked a strategic framework.

In the event, the cuts imposed were relatively mild. Two new posts were opened (Tripoli and Baghdad) and four were closed (Beirut, Los Angeles, Montreal and Santiago). A number of specialist commissioners were withdrawn, including commissioners and assistant commissioners (minerals) in London and Tokyo. Apart from the economies that were imposed, the theme of the 1976 review was a shift in emphasis towards the Middle East and North Africa, and a scaling back in the Americas. In addition to the new posts in what was becoming an increasingly important region, assistant commissioners were added to the posts in Jeddah, Cairo and Tehran. The Middle East would continue to be a priority over the following decade.

At first blush Tripoli was an unusual choice for a new post at a time of financial stringency. Libya was in the iron grip of Colonel Muammar al-Qaddafi's socialist regime. Australian exports to the country were modest at \$2.2 million in 1973/74, but were rising rapidly. Living conditions were spartan; access and communication were difficult. There were two main reasons that tipped the balance. The first and most obvious reason was the escalation in the price of oil, which was having a major impact on the oil-rich country. There was a useful potential market for agricultural machinery, prefabricated buildings and grass seeds. A trade mission had visited Libya in 1975 and, as usual, recommended the appointment of a trade commissioner. The second reason was that Libya had been part of Cairo's territory and, with the resumption of wheat sales to Egypt on credit, and with the Suez Canal reopened in 1976, the Cairo-based commissioner was fully engaged in ensuring that payments were made regularly to the Australian Wheat Board.

Overseas Trade was emboldened to open in Tripoli by the expectation that Foreign Affairs would soon establish an embassy in Libya. But Foreign Affairs changed its mind. Thus, when Bruce Conduit opened the trade post in 1978 he was appointed *chargé d'affaires* and, to accommodate Libyan sensibilities, it was necessary to maintain the fiction that a full embassy had been established. It would be difficult to imagine a more difficult posting, reminiscent of those

in India shortly after World War II but without the same health problems. As one observer noted at the time the post was opened:

Tripoli ... is now marred by neglect and the ultra nationalist hysteria of the present government. The surprisingly poor roads, the lack of recreational facilities, the unpredictability of services such as light, water, power or food supplies, and the rigid adherence to Arabic language and customs all combine to make Tripoli a very trying place to live.¹³

More important communications were almost impossible and housing was deplorable. There were no generally available telex services and regular mail services were slow and erratic. The Australian mission was able to use the British embassy's telex, when available, but that was located at a distance of some thirty minutes' drive; the sending of a handful of messages could occupy a full day of a clerical member of staff. The mission was located in a hotel in cramped conditions, and it was exceptionally difficult to find living accommodation in dwellings with sound roofs. Because of the hotel situation Australian business people shunned Tripoli. Everyday living was made more complicated by the absence, common in Arab countries, of street signage. And of course no alcohol was permitted, at least officially.

As the trade commissioner was also responsible for diplomatic affairs, there was little time available for trade promotion and commercial intelligence. Indeed, the second occupant of the post, Richard Fletcher, concluded that Australian exports, mostly in the form of live sheep, did not require the presence of a trade office. There were several Australian groups involved in agricultural projects, but state governments supported them. The direct shipping service had also been discontinued. In mid-1980, after barely two years, the decision was made to withdraw. The post was closed in November 1980 and responsibility for Libya was transferred to Rome. This was an unhappy episode in both policy and personal terms.

By contrast, the case for opening a post in Baghdad was compelling. Largely as a result of Iraq's enhanced income from oil in the mid-1970s, exports to the country had boomed, as indicated in Table 9.3. Iraq had been part of Beirut's territory, which also included Jordan and Syria as well as Lebanon, but this was no longer optimal because of the emergence of civil strife between Christian and Muslim forces in Lebanon and changes in the balance of economic power between the northern countries of the Middle East. In effect, the decision was made to transfer the post from Beirut to Baghdad; the same four countries would be 'covered' by the new post. At the same time, Foreign Affairs obtained approval to open an embassy in Baghdad, a reflection of the growing Australian interest in the politics of the Middle East.

Table 9.3 Australian exports to the north Middle East, 1971/72 to 1974/75
(\$ million)

Country	1971/72	1972/73	1973/74	1974/75
Iraq	11.8	1.9	15.0	44.9
Jordan	0.4	0.2	0.3	1.0
Lebanon	5.8	1.1	6.9	13.8
Syria	0.3	0.1	2.0	1.7

Source: Trade Commissioner Service 1976 review, NAA: A3120, 154/2/18 part 1.

It was recognised from the outset that Baghdad would be a demanding post requiring the appointment of a resolute and determined commissioner. It was not as difficult as Tripoli, although it shared some of the same characteristics. John Graves, who had the necessary qualities, opened the post in October 1977, and had the satisfaction of overseeing a remarkable growth of Australian exports to Iraq. These exports were propelled by an ambitious Iraqi program of national development and comprised mainly wheat, cheese, wool, agricultural equipment and general manufactures. The governments of South Australia and Western Australia sponsored cooperation in dry-land farming schemes. Baghdad became a destination for Australian ministers and business executives.

Australian exports to Iraq grew remarkably in the second half of the 1970s. By 1979/80 the quantum reached \$226 million, a fourfold increase in five years. But, as was so often the case in the Middle East, fortunes could be reversed just as quickly. With the outbreak of the Iraq–Iran War in 1980, demand fell to mid-1970s levels within a few months. The ports of Basra and Umm Qasr were closed, seriously restricting the scope for trade. Exports at a reasonable level were still possible, but they moved erratically.

The opening of these new posts and the strengthening of posts in Cairo and Jeddah meant that savings were required elsewhere. It is perhaps surprising that the Americas rather than Europe bore the brunt. The decision was made to close Los Angeles because it had fewer business visitors than in Chicago and San Francisco. San Francisco became responsible for all of California and adjacent states and was strengthened as a consequence. But, as noted, this was a non-strategic decision, and despite the difficulty of the market the United States continued to be underdone in terms of trade promotion (as distinct from policy). Los Angeles was reopened in 1978!

In the case of Montreal and Santiago, the closures were justified by individual circumstances. As discussed previously, the reopening of Toronto effectively replaced Montreal as the centre of trade promotion in eastern

Canada. Santiago was closed at a time of economic chaos following the overthrow of the Allende regime in Chile. The post was, however, restored in 1988.

Overall the service survived largely unscathed. The number of Australian-based staff (usually referred to as 'A-based') was reduced from 175 to 169. Some sleight of hand was involved even in this modest reduction, because the four specialist trade commissioners (minerals) who were deleted from the establishment were in practice retained by transferring them to become overseas staff of the Department of National Development. So much for the prime minister's edict that the A-based staff of the service should be reduced to 155! It is true, however, that significant restrictions were imposed on travel, and that commissioners were not in a position to travel within their territories, and between their posts and Australia, as extensively as previously.

Parliamentary examination

In the context of cost cutting and the drive for greater efficiency, two parliamentary committees ran the ruler across the trade commissioner service in the period from 1976 to 1978. The first of these was the House of Representatives Standing Committee on Expenditure under the chairmanship of Vic Garland, a minister in the McMahon government and in the first Fraser government who was temporarily on the backbench. Garland was keen to make an impression and to restore his ministerial career, and it was not long before he regained a junior post as minister for special trade representations (1977). The second was the more targeted Senate Standing Committee on Trade and Commerce, chaired by Senator Glen Sheil, a Queensland member of the National Party. Sheil was a medically qualified private hospital proprietor and an accomplished sportsman, but he does not appear to have had any particular axe to grind in relation to the trade service. In the expectation that the Sheil committee might report adversely on the service, the Trade Development Council (TDC) produced a report specifically on the trade commission that, while strongly supportive of the service, proposed structural and other modifications designed to enhance its operational effectiveness.

Taken together the evidence provided to the committees offers a good overview of the activities and challenges facing the service in the mid-1970s. The Senate committee, in particular, was concerned to understand the role and effectiveness of trade commissioners. What is clear is that the role of the commissioners was not well understood. Phrases such as 'trade promotion', 'commercial intelligence', 'commercial representation' and 'trade policy' were rather abstract and difficult to translate into a concrete series of activities and tasks. These tasks were many and varied and, while there was a core

set of responsibilities, the balance of activities varied appreciably between posts. It was even more difficult to produce concrete hard evidence of the effectiveness or otherwise of the service.¹⁴

It was explained that the structure of the typical post included a senior commissioner, in large posts such as London, Tokyo and Washington several other commissioners, an assistant commissioner (although some posts such as Madrid were still staffed by a single commissioner), several marketing officers and, in 'policy' posts, several trade officers plus secretarial staff. The staff of a typical office headed by a single commissioner and an assistant might total seven or eight people, but larger posts might contain twenty or thirty people, the majority of whom were locally engaged.

The parliamentarians were particularly interested in how a commissioner might spend the day. The most time-consuming activity was the handling of trade inquiries, the unspectacular but core activity of the service. It was estimated that 80 to 90 per cent of the work was of this kind in a trade promotion office: responding to inquiries originating in Australia or to inquiries from importers. There could be a large volume of correspondence arising from a single inquiry, and much effort was expended in putting exporters and agents in touch with one another. There were also the tasks that relied on individual initiative: finding 'holes' in the market and letting those in Australia know of the opportunities.

By this time the bulk of trade inquiries came from exporters of manufactures and other small producers of, say, fresh fruit and vegetables that were looking for markets for surplus production. Most of these current and would-be exporters were not large enough to search the market themselves and relied heavily on trade commissioners for economic and commercial intelligence. This was the core role of the trade commissioner: bridging what economists call informational asymmetry.

In practice, however, the tasks were many and varied. As Peter Dixon told the Sheil committee:

The senior trade commissioner may be involved for a whole week trying to convince an overseas government authority that the reports he has observed out of Australia—that there is salmonella in our meat or dairy products—have been exaggerated and showing him a report we have from our Department of Primary Industry ... If necessary, he spends a month until he has convinced the authority that the reports are exaggerated. That is trade promotion.¹⁵

Sam Burton, a senior departmental official, provided an example of a different kind in his evidence to the Garland committee. There was discussion of the problem of on-again-off-again quota restrictions applied to the import of

Australian meat by Greece, and it was noted further that there were a range of other opportunities. The trade commissioner, Athens, was negotiating on an order for twelve Nomad aircraft, and there were opportunities for agricultural aircraft elsewhere in the region. He was also exploring the opportunity for the sale of 400 to 500 Mokes annually in Athens on behalf of Leyland Motors.¹⁶ Above all a commissioner had to be flexible.

There were important differences in the *modus operandi* of commissioners in market economies, centrally planned economies and developing economies. In market economies the commissioner relied on a broad network of individual contacts and an abundance of information to assist in the process of market penetration. Contact with government officials, of course, was important—particularly in policy posts—but even more important was the cultivation of relations with as many players in the free market as possible. In centrally planned economies the process was much more formal and centred on the government and its agencies. We have noted previously the role of the mixed commissions of officials and business people that served as the negotiating vehicles for trade between market and planned economies. On these commissions, and more generally where planning was cardinal, the trade commissioner was indispensable as the official commercial representative of the trading partner. Many developing countries used a similar system, particularly those in the Middle East.

The crucial question for both parliamentary committees was the effectiveness of the service. In view of the considerable expenditure of public funds, what was the impact of a trade post? This was a vexed question because of the large number of variables involved and the difficulty of achieving meaningful quantification. There was also the point that some trade posts also served as the consulate general or consulate, and some might handle immigration matters. Assessing the effectiveness of policy posts was particularly difficult. Even in the case of posts devoted exclusively to trade promotion, there was no simple correlation between performance and export statistics. As Gerald Watkins, an experienced trade commissioner, explained to the Sheil committee, ‘trade commissioners by and large are fairly loath to have their performances judged purely and simply on the trade figures’. In agreeing with this assessment, Sam Maliphant added a personal note:

I served for three years in Calcutta in the late 1950s and the trade was less in eastern India when I left than when I arrived there. It is a fact of life that you require trade representation in these countries but they have such long term and fundamental balance of payments and developmental problems that you could work 24 hours a day, and you do work hard on these postings, and see little for it. It is terribly disappointing.¹⁷

The official line was that, in these circumstances, the best that could be done was the exercise of professional judgment.

The senators seemed reasonably content with this position, but it was not a line that could be held for long. Quantitative assessment, despite the acknowledged difficulties, would soon become essential for rational allocation of resources and for justification. Such a system of measurement, however, was not developed until after the formation of Austrade in 1986.

While the reports of the committees covered a good deal of ground, the sharpest recommendations that emanated from the Garland committee were that the Trade Commissioners Service Act be repealed, that all trade commissioners be brought within the overview of the Public Service Board and that four posts be closed (Berne, Christchurch, Karachi and Port of Spain). On this occasion the reasoning behind the proposed legislative change was efficiency and standardisation as well as the Public Service Board preference for a unified overseas service.¹⁸ The pro-trade lobby was quick to undermine this advice, and Minister Anthony announced in April 1978 that the legislation would be retained. The issue having been raised twice within a few years, it was reasonable to assume that the writing was on the wall and that the legislative basis of the trade commissioner service would continue to be under close scrutiny.

The speed with which the TDC moved, through a working party, to support the service against those that would impose cuts and undermine its legislative base is an indication of the high regard in which the service was held. It could be argued that the TDC, representative of private interests, was simply seeking to protect the subsidies flowing to exporters through the services provided by trade commissioners. There is no doubt some truth in this but it is also the case that, despite some inevitable operational criticism, the service was well regarded at home and abroad—often regarded, with the Canadian system, as the best in the world.

Even so the TDC coined useful and thoughtful recommendations. The most important of these was a change in the structural management of overseas posts. To explain this it is necessary to recount the existing system of management.

By the late 1970s the trade commissioner service was a component of the overseas markets division of the Department of Trade and Resources. Day-to-day management was allocated to a series of ‘desks’ that were responsible for posts located in cognate geographical areas. For example, there were desks for North and South America, Africa, the European Economic Community, Eastern Europe, ASEAN, North-East Asia and so on. Trade posts were inspected at regular intervals and the Public Service Board also visited, placing an

emphasis on staffing and conditions of service. Regional conferences of trade commissioners were held with increasing frequency, often chaired by the secretary of the department, and there was an element of regionality in important policy posts such as Brussels and Washington. But, in other respects, trade posts continued to be managed as individual entities and outside an overall strategic direction for the region.

In the early days this was inevitable when there were fewer than twenty-five posts and when communication was basic. But in 1978 there were fifty-seven posts and it was increasingly difficult for the desks to achieve coordination on a regional basis. TDC recommended the appointment of regional managers 'to assume overriding control of a range of Trade Commissioner Posts within defined geographical and political borders'.¹⁹ The regional manager would be located within the region and would exercise overall responsibility for trade commissioners within the defined area. The manager would be appointed to a region rather than to a particular country, and there would be frequent visits to posts within the manager's region. While details were not specified, the implication was that budgets would be allocated on a regional basis rather than to individual posts. It was thought that such an arrangement would enhance coordination and lift the morale of individual commissioners.

In this and other proposals, the TDC recommended a significant increase in expenditure on the service in areas such as improved allowances, additional specialist trade commissioners, improved support services, and additional funding for travel and for improved representational allowances. As new recruits to the service were drawn increasingly from the trainee program and thus fewer had previous commercial experience, it was suggested that this trend be reversed. TDC also proposed that the period of postings be increased, from two to three years in hardship posts and from three to five years in other posts, in each case with mid-term leave.

A cynic might suggest that this was an essay in garnering additional public funds in support of the private sector. There is no doubt some truth in this, and it was always easy to come up with additional ways of spending public funds. However, two important points should be made. The first is that the issue of regional clustering and management of posts was a matter that deserved urgent attention. The department had been inching in this direction for some time, but had not been moving decisively or with clarity of purpose. While no immediate change was forthcoming, the TDC proposal, or some variant of it, was firmly on the table, and became a rapidly evolving issue over the remainder of the twentieth century. The second is the extent to which the trade commissioner service had become a critical link in the business of exporting, particularly for small- and medium-sized enterprises. Leaving

aside the issue of subsidies to exporters, the service had established itself as central in providing the information and support to enable firms to gain a foothold in overseas markets. Clearly, this was not a sufficient condition in view of Australia's floundering export performance, but it was a necessary condition.

Turning the crank

In the late 1970s the Australian economy was stuck in a rut. The characteristics were high inflation and unemployment, sluggish growth and, by historical standards, a persistently high balance-of-payments deficit. Inflation was an unhealthy 8 to 10 per cent and unemployment hovered around 350,000 (6 per cent of those seeking work) and heading north; economic growth in real terms was stuck at a modest 2 to 3 per cent, with the year 1977/78 almost stationary; the external payments deficit had grown to around \$3 billion annually or around 3 per cent of GDP. By later standards the external deficit was by no means critical but, at the time, it reinforced the impression of economic malaise.

The year 1978 was significant in that Jim Scully replaced Doug McKay as secretary of the department. Scully, the son of Bill Scully, the minister for commerce and agriculture in the Curtin and Chifley governments, was a career public servant who had spent most of his time in trade-related positions. At the time of his appointment he was deputy secretary of the department. A shrewd and perceptive trade official, he continued the tradition of providing strong administrative support for the trade commissioner service.

In relation to the deteriorating trade situation, the government responded with another attempt to stimulate exports. Export incentives were strengthened, a jawboning exercise under the heading 'Export Now' was introduced, and a regular review of the trade commissioner service was conducted, followed in short order by a 'global review' in 1979. Given the extent of Australia's problems at the time, it is fair to say that the measures lacked intellectual and practical clout. It would take a new government to wipe the slate clean and come up with a totally new approach.

After consultation with the TDC and the Australian Manufacturing Council, and on the advice of the Industries Assistance Commission, Minister Anthony introduced a new package of export incentives on 13 April 1978. In substance the package included:

- an enhancement of export market development grants to the extent that, subject to specific exclusions (mainly of agricultural commodities), a taxable grant would be paid in cash for an increase in exports of \$500,000 over the base year at the rate of 15 per cent, a rate that was

scaled to fall to 2.5 per cent for an increase in exports in excess of \$10 million.²⁰ The focus was on exports of manufactures, services and the sale abroad of intellectual property.

- an enhancement of the export market development grants scheme to the extent that there would now be a single grant rate of 70 per cent of eligible expenditure, and the removal of a range of technical limitations.

The scheme was also extended to include value-added services linked to goods subsequently exported and would also cover the travel and tourism industry.

- an intensification of trade promotion through trade displays, participation in trade fairs, an expanded program of trade missions, particularly missions that focused on specific product groups.

Additional funds were earmarked for the promotion of beef exports.

- a strengthening of the trade commissioner service, and (as noted previously) retention of the Trade Commissioners Act.

The service was complimented for its close links with industry.

- by means of special legislation, the establishment of an Australian Overseas Projects Corporation to assist industry to compete for large-scale development projects, especially in the Middle East and other new markets.

The corporation would act commercially with an initial capital of \$2 million.

- the promotion of Australian consultancy and contracting services overseas by amendment to the Export Finance and Insurance Corporation Act to help industry to meet requirements for performance and other contractual guarantees.

Mention was also made of the country's payments deficit in intellectual property, but no specific proposals were advanced.²¹

While this appeared to be a comprehensive package, it was consistent with the tradition of coalition governments since World War II: relatively modest incentives and interventions to market process, and heavy reliance on the trade commissioner service and traditional techniques of trade promotion. The major issues of tariff protection and exchange rate determination were untouched except for minor tariff adjustments.

The biennial review of the service that was completed in February 1978, around the time that the Anthony statement was being formulated, was a relatively quiet affair. There was only one post to be opened, although two were to be reopened; there were also a series of adjustments to staffing levels of a

routine nature and an increase in staff ceilings to accommodate the modest expansion in scale. The main decisions were as follows:

- A new post would be opened in Kuwait.
- Two posts—Caracas and Los Angeles—would be reopened.
- Consequent upon the reopening of Caracas, the post at Port of Spain would be closed, and responsibility for the Caribbean transferred to Caracas.
- Following the merging of the Department of Overseas Trade and the Department of National Development to form the Department of Trade and Resources, the four positions of trade commissioner (minerals) that had been transferred out of the service two years earlier would be transferred back.
- Closure of the post in Berne (with responsibility transferred to Bonn).
- There were also reasonable grounds for closing the Christchurch post, but the decision was put ‘on hold’ because of sensitivities associated with Australia–New Zealand trade. This post was closed following the ‘global review’ in 1979.

The decision to open in Kuwait came as no surprise, and was consistent with the policy of progressive strengthening of the network in the Middle East. Kuwait had been on watch for several years but, with a population of a little over one million, it was thought that the country could be supported from Bahrain. The impact of oil, of course, changed this assessment materially and, within a short period, Kuwait could boast one of the highest per capita income levels in the world. Australian exports to Kuwait increased from \$15.8 million in 1972/73 to \$46.7 million in 1976/77. With an ambitious five-year plan in place, there were prospects for continued rapid growth. As usual, the largest exports were rural commodities: wheat, live sheep, frozen and chilled meat and cheese. The post was opened in 1979 by Max Daniel, who also doubled as *chargé d'affaires* of the Australian embassy. Bahrain was Daniel’s previous posting and he had become accustomed to the searing heat of the desert.

Trade promotion in Kuwait began reasonably well. An Australian trade display at the Kuwait Hilton involved sixty-eight companies and featured building materials, safety equipment and hardware as well as food and traditional agricultural commodities. The display served as a valuable showcase and resulted in the completion of a number of joint ventures. But exports continued to be dominated by non-promotable bulk commodities and, during the 1980s, doubts were raised about whether the post was needed, particularly as Kuwait was a refreshingly open economy, largely free from the politics of trade. The post was closed in 1986.

Oil was also the trigger for a rearrangement in the Caribbean. It will be recalled that the trade post at Port of Spain was established as early as 1951, partly as a result of imperial ties, and was intended to service the Caribbean as a whole. On the basis of the volume of Australia–West Indies trade, however, the post was difficult to justify and, for some years, there had been murmurings about closure. The absence of a firm decision was due in large part to a reluctance to offend Caribbean governments. The issue could no longer be avoided, however, following the Garland committee’s recommendation to close.

The opportunity was taken to use the released resources to reopen Caracas. It will be recalled that the previous short stint in oil-rich Venezuela ended in 1965 at a time of political turmoil and danger to the Australian staff. On this occasion the portents appeared to be more propitious, given the size of oil revenue and the ambitious development plans that were in place. Four Australian trade missions visited the country in 1977–1978 and reported good prospects for manufactures and services. But exports in 1976/77 were a modest \$20.6 million and it was an open question as to whether Australian exporters, at such a distance, could take advantage of Venezuelan prosperity. The answer was that it was possible to do so only with difficulty. Trade grew erratically and in 1988 it was decided to downgrade the trade commissioner to the status of manager. Once again South America had proven to be a tough call.

The decision to reopen Los Angeles was a little embarrassing but essential. Los Angeles was eliminated in 1976 during the Fraser government’s early enthusiasm for cost cutting, with responsibility for southern California transferred to San Francisco. Although strengthened, San Francisco was unable to cope with the increasing volume of trade and visitation across the Pacific. In 1977 the value of exports to southern California was approaching \$100 million and was growing at the rate of around 30 per cent a year. Substantial contracts had been written for iron ore and gas, and there were good prospects for solar energy equipment, a range of metals and marine hardware. The post was reopened promptly in 1978 and remained a pivotal post in North America, particularly with the increasing number of direct Qantas flights between Sydney and Los Angeles.

In other respects the 1978 review produced a modest shuffling of resources so that overall staff ceilings were maintained. The net effect was a slight reduction in emphasis on Europe and Africa and a modest increase in resources devoted to the Middle East and North America.²² More reviews were just around the corner.

‘Export Now’ and global review

Following the announcement of enhanced export incentives by Minister Anthony in April 1978, the government launched a comprehensive publicity campaign under the rubric ‘Export Now’. Detailed preparations were made in the latter part of 1978, and the campaign was launched on 19 February 1979. A comprehensive review of the trade commissioner service was undertaken at much the same time and presented to Cabinet in January 1979. The review was termed ‘global’ because it was intended to be more all-inclusive than the standard biennial review. It was brought forward in an attempt to ensure that the package of measures, export incentives, ‘Export Now’ and the global review were appropriately aligned.

Export Now, also known as the Export Consciousness Program, was a publicity and education campaign designed to:

rekindle throughout Australia an awareness of the importance to the nation of a stronger export performance and make more widely known the full range of assistance available to established or potential exporters, from the Government and other sources.²³

The program, developed in close cooperation with the Trade Development Council, involved a publicity campaign across the country and a series of seminars conducted in each state and was designed to operate for a period of three years. Seminars focused on doing business in unfamiliar areas such as the Middle East and the Arabian Peninsula. A feature of the program was the announcement of the Governor-General’s Award for Export Excellence. The award was intended to confer special recognition on a select number of organisations for outstanding and sustained achievement in export performance. This award was in addition to the annual program of export awards that had been in place for most of the 1970s, and was designed to give added weight to high performance over a number of years.

Export Now was a well-managed program that was based on activities conducted on a state basis. Probably the most valuable sessions were those that provided technical information on unfamiliar markets, and there was certainly enhanced export consciousness. The program absorbed a significant amount of time of locally based trade commissioners and several of those that were located abroad. The impact, however, is difficult to assess. Jawboning rarely has a long-term effect, and it is unlikely that Export Now was an exception. In 1981 the campaign was terminated, Prime Minister Fraser complaining that the cost, originally estimated at \$66 million per annum including the grants scheme, had increased to \$200 million per annum. The value of the grants was reduced by 50 per cent and extended for one year only on the grounds that

economic conditions had improved. There was some substance in the earlier diatribe by Paul Keating from the opposition front bench:

The government has no idea what to do with this country. It wants to create the hot-house environment of an active, ambitious, internationally competitive primary export sector. It wants to encourage its growth. It wants, therefore, to change the structural sectors of the economy. But the Government cannot have the primary export sector growing as rapidly as it would like without its impacting upon the less competitive sectors. Yet the Government promotes structural change by the development of the primary export sector and then resists that change with tariffs and quotas in the secondary sector—a complete conundrum of policy; no explanation; no rationalization; just hope for the best. Of course, the best never arrives.²⁴

Leaving aside the hyperbole, Keating had a point. The Fraser government's cost-cutting strategy had run its course, but there was an absence of coherent economic thinking to take the country forward over the longer term. On the export side, as we shall see shortly, the trade commissioner service was once again required to shoulder a disproportionate share of the burden.

The global review of the trade commissioner service undertaken in the latter part of 1978, and endorsed by Cabinet in January 1979, differed from its predecessors in a number of respects. The first difference was that the review was more comprehensive than on earlier occasions and a large number of posts were affected. This was the significance of the use of the descriptor 'global'. Second, and more importantly, the review resulted in a significant reallocation of resources that embodied important policy shifts. These shifts included a much sharper targeting of export markets than had been the case before, a tighter focus on the promotion of exports of minerals and energy, and greater use of research-based market probes to determine the location of emerging markets and resource allocation. What this meant is that there was a move away from the traditional emphasis on broad geographical spread and an acceptance that limited resources needed to be focused on regions of conspicuous growth in trade opportunities.²⁵

Broadly the review increased trade commissioner representation in the Middle East, North Africa and Asia, and reduced representation in Europe, sub-Saharan Africa, South America and New Zealand. Only two new posts were proposed—Abu Dhabi in the United Arab Emirates and Algiers in Algeria. Oil was, of course, the attraction of Abu Dhabi. Cabinet was advised that the income of the United Arab Emirates was of the order of \$6.3 billion in 1977 and there were expectations that this would grow rapidly. But, at \$33 million in 1977/78, the value of Australian exports was still modest and mainly comprised

wheat, meat, cheese and construction materials. In the absence of enticing growth prospects, the United Arab Emirates would not have justified a separate post, particularly as it had been serviced reasonably well from Bahrain and the two regions were contiguous. Abu Dhabi was opened in 1979 by John Graves, who also served as consul general and handled immigration matters. In the event the Abu Dhabi decision did not turn out to be sufficiently robust and the post was closed in 1986.

Similar arguments were used to open a post in Algiers: substantial oil revenue of US\$10 billion, an ambitious development program to enhance agricultural and industrial sectors, and prospects for Australian exports of agricultural equipment as well as existing trade in wool, metals, metal manufactures and prefabricated buildings. But Australian exports to Algeria in 1977/78 were \$12.7 million and much was wagered on the magic of black gold. Hugh McClelland, an experienced trade official with a strong background as an assistant commissioner, opened the post in 1979. He was also responsible for Tunisia. The trade office was located in the embassy, which had been established three years previously.

On geographic grounds the case for Algiers was stronger than that for Abu Dhabi. For many years Algeria and Tunisia had been the responsibility of the Paris office and it was clearly not possible to provide reasonable support at such a distance. In other respects establishing a post in north-west Africa was a speculative throw of the dice, located as it was so far from Australia's strategic economic interests. The post was fully maintained until 1991.

Doug Anthony was in the forefront of the drive for a stronger presence in North Africa and the Gulf. He was a tireless visitor to the region and

Minister for Overseas Trade, J.D. Anthony and H.E. Mr Mansour Rouhani, Iranian Minister of Agriculture and National Resources, at a Joint Ministerial Commission in Tehran, 1976.
[DEPARTMENT OF FOREIGN AFFAIRS AND TRADE]



responded positively to its potential. This appeared to be classic territory for new trade commissioner activity: rapidly emerging markets as a result of sudden increases in wealth, ambitious development plans, and a high propensity to import foodstuffs, raw materials and agricultural equipment. The ground had also

been reasonably well laid, at least in the Gulf. In the case of the United Arab Emirates, nine trade missions had visited during the 1970s, and two trade displays had been mounted. But there was always a high level of both commercial and political risk in exploring regions such as these, and the chance of disappointment was correspondingly high.

The global review produced a significant pruning of posts. Almost for the first time tough decisions were made about underperformers. Eight posts were closed, although several of these closures had already been announced. Europe shed the largest number of posts—Berne, Hamburg and Manchester. As noted earlier, the Manchester decision had been made in 1978. Berne had always been marginal, and had been opened in 1973 in part as a result of representations from the Swiss government. Australian exports had not developed and few business people visited. The closure of Hamburg was more controversial. Trade with the Federal Republic of Germany was a substantial \$399 million in 1977/78, mostly in raw materials such as metals, minerals and wool; prospects in food and manufactures were more limited. It is true that most Australian exports were not easily promoted, but Hamburg was the commercial centre of the country. The decision to rely solely on Bonn for trade promotion was as much political—respect for German sensibilities—as it was commercial.

The closure of posts in Lagos in Nigeria (again) and Lima in Peru represented acceptance of at least partial defeat in South America and sub-Saharan Africa. Nigeria was experiencing serious economic difficulties and had imposed tight import controls. The shipping service to West Africa had also been discontinued. The closure of Lagos meant that only Johannesburg and Nairobi remained in sub-Saharan Africa. In the case of Lima, the lack of direct shipping limited prospects. Peru was a reasonably regular importer of Australian wheat, but this was not sufficient to justify continuation of the post. Two posts remained in South America—Buenos Aires and São Paulo—but a third post (Caracas) was to be re-established shortly. During 1979 the Brazilian post was transferred from São Paulo to Rio de Janeiro.

The other closures were Christchurch and Karachi. The Karachi post had been struggling for years, but had been justified when the commissioner was also responsible for Iran. In the latter part of the 1970s Pakistan was experiencing increased economic difficulties, and tight import restrictions were imposed. Australian exports had been reduced to such an extent that wheat remained the only significant item. Karachi was also responsible for Afghanistan and Sri Lanka, where the commercial story was even bleaker.

The decision to close Christchurch was a sensitive issue because of the importance of closer economic relations between Australia and New Zealand, but the continuation of three posts in New Zealand was hard to justify. Auckland

was easily the largest commercial centre and Wellington was pivotal as a policy post, so Christchurch was the one that had to go. Despite the sensitivity, this was a reasonable decision, as the post had been marginal for a number of years.

A large number of other adjustments were made, but it is not necessary to describe these in detail. Some of these involved post strengthening with the addition of trade commissioners with special expertise in minerals and metals. For example, to reflect the rapid growth of coal and iron ore exports to the Republic of Korea (\$266 million in 1977/78), an additional commissioner with expertise in this area was added to the establishment at Seoul. Similarly, the new commissioner at Rio de Janeiro was to have particular knowledge of minerals and metals. Additional resources were allocated to key posts such as Beijing and Tehran, while allocations in other areas were reduced. One commissioner was withdrawn from New York, for example, despite the protest of Sir Robert Cotton, consul general in New York. The reasoning was that Australia had been able to penetrate American markets more successfully from the West Coast. With the reopening of the Los Angeles post this was expected to continue.

Overall the global review produced a more focused service. Resources were targeted to trade growth points, and a number of lost causes were abandoned. At last there was practical recognition that Australia could no longer depend on the European Communities (EC) for such a large part of its trading future, and the importance of Asia and the Middle East was underlined. With the advantage of hindsight, it could be argued that the enthusiasm for the Middle East was overdone and that the investment in North Africa was heroic; but, given the access problems in Europe and North America, the pursuit of oil-rich nations was understandable.

There were, however, no structural changes of the kind recommended by the TDC. The fifty-six posts in forty-six countries plus the European Communities at the end of 1979 operated largely independently. It is true that regional conferences of trade commissions were held more frequently than in the past; posts were visited and reviewed regularly by the department, and overseas missions by the Public Service Board. Communication between posts and Canberra had improved, although the revolution that the internet would provide was still a decade away. Travel budgets had been cut by the Fraser government, but this was compensated in part by the greater ease of improved communications.

There was one further review in the biennial series during the term of the Fraser government. This was a light review given the comprehensive nature of the global review completed only twelve months previously. The proposals were to open one new post (southern United States, subsequently identified

as Houston) and to close two others (Libya and East Berlin). There were also interesting innovations. The first was the proposal to appoint an additional commissioner to Manila to explore opportunities arising from the work of the Asian Development Bank. Another was the decision to appoint an additional commissioner formally attached to Beijing but located in Hong Kong so as to service southern China, particularly Canton (Guangzhou) and even more specifically the biennial Chinese export commodities fair. As we shall see in Chapter 10, China was to become an increasing focus of trade promotion following the progressive liberalisation of the Chinese economy by Deng Xiao Ping after his assumption of supreme leadership in 1978.

The posts that were closed were Tripoli and East Berlin. We have noted already the reasons for the closure of Tripoli. In the case of East Berlin, trade with the German Democratic Republic had been most disappointing, and had declined in the late 1970s. The department's preference was to focus on the more promising parts of Eastern Europe, notably Czechoslovakia, Poland, Romania and Yugoslavia.²⁶

The final years of the Fraser government were replete with frustration and disappointment in terms of trade, the economy and international politics. Following the invasion of Afghanistan by the Soviet Union in December 1979, and Australia's partial boycott of the Moscow Olympics in 1980, trade with the Soviet Union was put 'on hold'. This meant that established trade was allowed to continue, but that new initiatives were not permitted and that official contact between Australian and Soviet officials was suspended except for the maintenance of the status quo. Meetings of the Australian–USSR mixed commission, for example, were discontinued for the time being.

Australia, along with Canada and a number of other major agricultural exporters, had been encouraged by the United States to cooperate in the imposition of limited sanctions. The United States herself had imposed a partial embargo on wheat sales to the Soviet Union, and was concerned that other agricultural exporters would simply fill the gap. The request was that exports to the Soviet Union, particularly of meat, be maintained at 'traditional levels', a concept of exemplary imprecision.

In purely trade terms the Australian reaction to the invasion of Afghanistan was a matter of serious concern. In the late 1970s, exports to the Soviet Union were growing exponentially. In 1978/79 Australian exports amounted to \$273 million but they had jumped to \$978 million in 1979/80. The Soviet Union had suddenly become Australia's third largest export market. She had become the second largest market for wool, and the largest market for wheat and mutton. It is true that exports had been boosted by the failure of the Soviet

wheat crop, but there were optimistic signs the export base was broadening to include mineral sands, bauxite, scientific instruments and light machinery.

Australian–USSR relations were strained at this time, and Australia adopted a purist attitude to the government-to-government stand-off. For example, Australia banned a Soviet exhibit at the Sydney Royal Easter Show, for which it was obliged to pay compensation. The trade commissioner in Moscow at the time, John Tinney, described the Australian position as ‘more Catholic than the Pope’ in the context of the failure of other countries to maintain an effective embargo. The main concern was long term. As Tinney observed tartly:

Inertia is a fundamental characteristic of the Soviet system. Trade development here is like a giant concrete flywheel: it takes ages to get it moving, ages to bring it to a halt and ages to get it moving again. The consequences of our actions are felt years rather than months later—and this applied to both positive and negative actions.²⁷

In practice, the main impact was the loss of opportunities. Active trade promotion in the Soviet Union was banned, including regional promotional activities; ministerial and official visits were cancelled; trade fairs were not actively supported; business visits were curtailed. The trade office in Moscow remained open throughout, but the activity of the office was limited to such a degree that Commissioner Tinney accepted an invitation to visit Mongolia (part of his official territory) to undertake an exploratory survey. Unsurprisingly, Mongolia was not judged to be a viable prospect.

Commercial relations with the Soviet Union were restored gradually after the election of the Hawke government in March 1983. As Tinney forecast, there had been a loss of momentum and in 1981/82 the value of Australian exports fell to \$832 million. The long-term damage, however, was moderate and, by the mid-1980s, exports exceeded \$1 billion, although year-to-year movements were erratic.

The Fraser government in its final years was also frustrated by the intractability of trade negotiations. The Tokyo Round of multilateral negotiations was concluded in 1980 with disappointing results for Australia. No material progress had been made in securing greater access for Australian agricultural products in the European Communities, Japan and the United States. As a consequence there was a trend to favour bilateral trade deals but, inevitably, these were limited in scope and impact. The European Communities became a particular target in 1979, when Cabinet decided that a ‘stronger Australian commercial representation in Europe should be used as a means of bringing about a more favourable trading relationship with the European

Communities'.²⁸ One of Australia's most experienced trade negotiators, Alexander McGoldrick, was appointed minister (commercial) in Brussels with effect from February 1980 with responsibility for overall coordination of policy in the European Communities and with the daunting task of obtaining greater access to EC markets. The barriers to entry were found to be almost impenetrable.

Finally, the Fraser government in its last two years was afflicted by a sharp deterioration in economic conditions, and this played an important part in its lack of direction on trade and other matters. After a modest improvement in conditions in 1979/80, the economy was hit by the backwash from the second oil shock of 1979, deterioration in the terms of trade and a marked increase in the current account deficit. This produced a liquidity squeeze in 1981/82, short interest rates of between 15 and 18 per cent, and a collapse in stock market prices of 32 per cent. Confidence was at a low level, inflation reached 10.4 per cent and was still rising, and unemployment rose to 6.7 per cent in the calendar year 1982 and further to 9.9 per cent in the calendar year 1983. The outcome was a short, sharp recession. Gross domestic product in real terms fell by one per cent in 1982/83, and this sealed the fate of the Fraser government in the general election of March 1983.

As a further indication of uncertainty in the late Fraser years, the regular biennial review of the service, due in 1982, was postponed. The reason was that extensive inquiries were in train over staffing levels in overseas posts under the aegis of the review of Commonwealth functions. The judgment was that a proposal for the reallocation of resources should not be developed at the time. There was no outcome before the change of government, but the delay added to the sense of stasis in the deployment of the service.



A 1976 reunion of Trade Commissioners who joined the service in 1963. L-R: P.J. Dawson, K.J. Edwards, R. Churchill-Bateman, P.A. King, F.D. Quinane, G.A. McHugh, B.W. Shanahan. [DEPARTMENT OF FOREIGN AFFAIRS AND TRADE]

Through all the turmoil of the 1970s and early 1980s, the trade commissioner service not only survived but retained its position as an essential component of trade policy. It also retained the strong support of the 'export community'. There were, however, problems that had been accumulating over a number of years. First, after eight years of staff ceilings and financial stringency, the service was suffering from a depletion of resources. Posts in emerging markets could not be staffed adequately and travel budgets were insufficient to enable trade commissioners to maintain first-hand contact with exporters in Australia. Second, there had been a drift of resources from trade promotion to trade policy as a consequence of the growth of bilateralism and protection in many of Australia's trading partners. There was thus deterioration in the market thrust of trade commissioners. Third, there was a lack of trade policy integration within the government. Trade commissioners were operating in a policy vacuum and some commissioners were simply going through their paces. Morale, always difficult to gauge, appeared to be low. Even the Department of Trade and Resources conceded that there needed to be an improvement in performance.²⁹ This was the background to a major examination of the service by the incoming Hawke government.

10



The making of Austrade

*John Dawkins,
Minister
for Trade,
1984-1987
[DEPARTMENT OF
FOREIGN AFFAIRS
AND TRADE]*

In April 1981 the Department of Trade and Resources prepared a detailed paper for Cabinet consideration on Australian trade policy in the 1980s. Overall the paper made sombre reading. The expectation was that ‘world economic and trade growth in the 1980s is anticipated to be relatively modest and protectionist pressures in major countries appear to be strengthening’¹. The most depressing aspect of future prospects was Australia’s failure to achieve improved access for agricultural exports during the Tokyo Round of multinational trade negotiations, and the likelihood of increased quantities of subsidised agricultural products entering the market from the European Community and the United States. Further, it was expected that there would be ‘no major negotiations on tariff and non-tariff barriers [to trade] in the foreseeable future’.² As a consequence, it was likely that there would be renewed interest in bilateral trade negotiations. Balance-of-payments pessimism, so characteristic of the period covered by this book, was at a high point.

The one bright spot was the excellent prospects for mineral and energy exports. The growth in these exports since the late 1960s was expected to continue, subject always to the condition of the world economy. But the paper sounded a note of caution:

Expansion of our trade in minerals and energy and energy related processed materials will require vigorous promotion of Australia as a preferred source of supply. This will require special attention to Australia's reputation, particularly in the industrial relations area and the bringing home to consumers [of mineral and energy exports] the need to establish firm long term arrangements on supply.³

By the time the Hawke government assumed office in March 1983, economic prospects were even gloomier as a consequence of the sharp recession of 1982/83, and the triple agony of high inflation, high interest rates and high unemployment. The new Labor government brought to power a group of economic ministers who were determined to do things differently. They were not only ambitious in their own right; they were also convinced that the old palliatives of economic intervention and marginal adjustment of policy at the edges were no longer appropriate in the late twentieth century. Foremost among them was Paul Keating, the treasurer, who set about dismantling the regulation of the financial system that was a product of the 1930s and the wartime Labor government. He also allowed the Australian dollar to find its own price against other currencies, with profound implications for the future of the Australian economy. Another was John Dawkins, minister for finance and also minister assisting the prime minister in public service matters. Initially Dawkins concentrated on modernising the public service and implementing the substance of the recommendations of the Coombs royal commission, which was touched on in the previous chapter. With the re-election of the Hawke government in December 1984, and Dawkins' appointment as minister for trade, he turned his attention to what was perceived to be a fragmented set of institutions concerned with export promotion. It was in this context that a new corporate entity, the Australian Trade Commission (or Austrade), was born.

This concluding chapter will deal with a number of important initiatives such as the China action plan and the new emphasis on the United States, as well as the moulding of the Australian Trade Commission—a response not only to economic foreboding but also to the harsher competitive conditions and entrepreneurial spirit of the 1980s.

Exports under stress

The deficiencies of Australia's export profile were so well known by the early 1980s that there was no serious argument about its main features. At the risk of repetition, the principal characteristics were a relative decline in traditional agricultural exports as a result of falling relative prices, limited market access and a shift in world demand to manufactures and services; the inability of exports of manufactures to achieve much market penetration; and the absence

of a significant services export sector. Against this the growth of exports of minerals and energy was barely able to compensate for the loss of agricultural markets and the indifferent performance of manufactures. Indeed, the export ratio (the ratio of exports of goods and services to GDP) appeared to be stuck in the range of 14 to 15 per cent in the early 1980s (Tables 9.1 and 10.1). This was no worse than in the late 1960s and early 1970s, but was not nearly sufficient to provide for the secular rise in the demand for imports. The import ratio (the ratio of imports of goods and services to GDP) had been rising steadily from around 15 to 16 per cent in the late 1970s to 18 to 19 per cent in the mid-1980s. This numerical difference might not seem large, but it reflected the emergence of a deep structural problem. It was an issue that was sufficiently serious for Paul Keating in 1986 to forecast the emergence of Australia as a ‘banana republic’, and was underlined by the sharp fall in the terms of trade in the first half of the 1980s.

Table 10.1 Indicators of Export Performance, 1983/84 to 1986/87

Year	Exports of goods and services (\$m)	Ratio of exports of goods and services to GDP (per cent)	Current account balance (\$m)	Terms of trade 1969/70 = 100
1983/84	2,8010	14.6	-7,328	85.6
1984/85	3,4146	15.9	-11,075	83.3
1985/86	3,8075	15.9	-14,539	75.1
1986/87	4,2634	16.1	-13,230	71.2

Source: Norton and Alymer, *Australian Economic Statistics: Tables*, Tables 1.1, 1.11 and 1.14.

Rattling the skeletons

There could be no doubt that, with the election of the Hawke government in March 1983, the Department of Trade, and the trade commissioner service, were under new management. The first change was the amputation of resources from the Trade portfolio to create a new department, Resources and Energy, under Senator Peter Walsh. Lionel Bowen, also deputy prime minister, was the new minister for trade. Bowen was a career politician who began as mayor of Randwick in New South Wales, served as a member of the parliament of New South Wales for most of the 1960s, and was elected to the Commonwealth parliament in 1969. He held several ministerial positions in the Whitlam government and was thus one of the more experienced members

of the Hawke government. But the Department of Trade was his first economic portfolio, and there was little in his background to suggest a keen interest in the demanding arena of trade policy.

What Bowen did bring to the position was an abiding mistrust of the presumed political legacy of the Department of Trade. Much more than Jim Cairns before him, Bowen and many of his ministerial colleagues equated Trade with the economic and political interests of the National Party. In a superficial sense, this was understandable. As the ministerial head of the department had been the leader of the Country Party and then the National Party for such a long period, it was assumed that Trade was stacked with 'shop stewards' representing country interests. The trade commissioners were thought to be the most culpable group, seemingly cruising the world promoting agricultural products and minerals and failing to promote adequately manufactures, a large source of domestic employment.

Bowen set about to rectify the position in his own way. He made a large number of appointments to the trade commissioner service of people with unconventional backgrounds. In October 1984 the minister was asked how many appointments to the service had been made since March 1983. The answer was that twenty-five appointments had been made, of which fifteen were public servants and ten were from the private sector.⁴ This was a departure from the policy of drawing evenly from the public and private sectors. But the more important issue was that a number of those appointed were not appropriately qualified.

There were other significant changes in the leadership of the Department of Trade that had an impact on future directions. The position of secretary of the department became available following the retirement of Jim Scully late in 1983. John Menadue, a person with a rich and varied background in public service and private industry, filled the vacancy. Menadue had no experience in Trade, but he was an internationalist with a strong commitment to Asia. He had worked for Rupert Murdoch at News Ltd, and had been secretary of the Department of the Prime Minister and Cabinet during the second Whitlam government. He continued for a time in this position under Fraser, and was then appointed ambassador to Japan in 1977, returning to Australia in 1980 to head the Department of Immigration and Ethnic Affairs.

Menadue's time in Japan reinforced his conviction that the Australian economy badly needed to be opened up. In his own words:

[Australia] had an urban business culture that was addicted to protection. It had its back to the outside world and looked internally to the Australian market. The Department of Trade was spending a lot of its resources on the promotion and development of export markets for minerals and farm produce

when there also needed to be an industry restructure and the development and export of manufactured goods and services areas where there was growth in world trade and potential jobs for Australians.⁵

As we have seen, Trade had been promoting exports of manufactures for a generation, and it is not accurate to suggest that agricultural and mineral exports were the prime focus of attention. But it is true that the fundamentals for the development of an export culture in manufactures had not been created. Whether industry policy was the correct policy is another matter. The important point, however, is that Menadue articulated a perception that was widely shared within the new Labor government.

The appointment of Paul Barratt as deputy secretary was also important. Although still in his late thirties, Barratt had been a member of Trade and its predecessor for six years and a public servant for seventeen years, with experience in departments such as Education, Treasury, Minerals and Energy, and Natural Resources. More important, he had direct responsibility for the trade commissioner service and held constructive views about the need for change. He was particularly concerned to revitalise the marketing role of the service by targeting major markets and by having commissioners spend more time in Australia with actual and potential exporters.

A broad indication of what lay ahead was contained in the Governor-General's speech at the opening of Parliament on 21 April 1983. He indicated that the Export Finance and Insurance Corporation, the Australian Overseas Projects Corporation and the trade commissioner service would be reviewed with a view to improving their effectiveness.⁶ It is unclear, however, whether the minister had any particular changes in mind, and his approach to trade policy was not articulated. Bowen was notably silent in parliament on trade issues. In marked contrast to McEwen and Anthony, he made no ministerial statements on trade issues during his twenty-month tenure of the portfolio. Behind the scenes, however, pressure was building for a number of major changes.

We shall return to this theme shortly but, in the meantime, we should note that John Dawkins, as minister responsible for public service matters, with characteristic vigour set about making major changes to the structure and operation of the public service. This is relevant because the principles applied to the public service were carried forward to the structural transformation of the trade commissioner service. Dawkins was an inveterate reformer, particularly of administrative structures. He was tough, even ruthless, in execution, and was uncompromising in the face of opposition. The scalpel was applied in much the same fashion to successive ministerial responsibilities—the public service, the trade commissioner service and the tertiary education system.

In the early 1980s the Commonwealth public service was ripe for an overhaul. There had been numerous amendments to the Public Service Act but no fundamental reform since the legislation brought down originally in 1922. The service was hierarchical, conservative and was bereft of a performance culture. There were many pockets of underperformance. Dawkins drew on the new managerialism of the 1980s. The key words were economy, efficiency, effectiveness and accountability. Ministers were given the tools to supervise departments more closely, and departments were expected to be more responsive. The second division of the public service was replaced by the senior executive service ‘to ensure a more productive relationship between it and the government’.⁷ This was to be supported by promotion on merit, a greater emphasis on staff development and training programs, staff performance appraisal, greater mobility of staff including enhanced opportunities to transfer between departments, the introduction of permanent part-time employment, and implementation of equal opportunity programs.

The frequent references in Dawkins’ second reading speech on the Public Service Reform Bill to the need for ministers to be more directly involved in the supervision of departments was a reflection in part of the bitter feud between the Whitlam government and Treasury in 1974 and 1975. The Dawkins reforms certainly opened the door to greater political interference in the public service. All in all, however, the changes were much needed and were long overdue. From our point of view the principles of economy, efficiency, accountability and performance management spread to government agencies in general. The trade commissioner service was not singled out for special attention.

In April 1983 the Department of Trade had established its own task force on the trade commissioner service to prepare the ground for the external review to which the government was committed. Barratt was the driving force behind preparation of the report, which was uncommonly frank in identifying weaknesses and the areas where improved performance was required. The main points may be summarised as follows:

- There had been a drift away from the marketing function of the service towards policy and trade relations work because of changes in the international trading environment and because of staff constraints.
- There was a need to re-emphasise the importance of commercial skills and experience in recruiting trade commissioners, and to continue to appoint on a short-term or contract basis commissioners with specific product skills such as in agriculture and high technology.
- The training of trade commissioners required strengthening. It was thought that training should be a continuous process, and there was a

case for commissioners to spend a full posting in Australia for retraining, including lengthy periods with Australian industry. It was also necessary to improve the language skills of the service.

- There was concern once again about the position of trade commissioners within Australian missions abroad, particularly what was perceived as the excessive control of heads of mission (ambassadors) and the provision of ‘common services’ by the Department of Foreign Affairs. This was an ancient irritant, and reflected the different cultures and responsibilities of the two departments (as well as the unbecoming turf warfare between two powerful departments). The Trade view was that trade commissioners should be allowed greater independence in the provision of ‘common services’ and be able to communicate directly with commercial firms in Australia, particularly on sensitive commercial matters, rather than through the rather cumbersome network of the Foreign Affairs system.⁸

The frank admission of weaknesses in the service was unusual in a departmental document, and indicates the extent to which the trade commissioner service had been diminished during the Fraser years. But the new government was offered a platform to reform and rebuild if it was so inclined.

It is interesting that individual trade commissioners were given the opportunity to comment on the report of the task force, and that many of the responses added to the view that all was not well. Many commissioners acknowledged the decline in their marketing role, a trend that was attributed to the imposition of staff ceilings and general financial constraint. There was a strong plea for additional resources to undertake market research, to provide adequate technical and other support at posts, and to enable commissioners to undertake more regular return trips to Australia to assist in strengthening links with local industry. Understandably, there was less enthusiasm for change in *modus operandi* such as one idea that was current at the time—the formation of a trade commissioner task force that would assemble a portfolio of companies and conduct in-depth studies of market prospects in ‘difficult’ markets. Despite the shortcomings of the recent past, the commissioners were convinced that the Australian model of trade promotion through operation of the Trade Commissioners Act was fundamentally sound.⁹

The findings of the task force would have strengthened the government’s commitment to undertake an external review of the trade commissioner service. The review panel of four members was selected in June and reported in October 1983. It was headed by Sir Eric McClintock, who, it will be recalled, was an early post-war trade commissioner and director of the service in the 1950s. At the time, McClintock was chairman of Woolworths Ltd. The secretary

of the department, Jim Scully, was the other senior member. The two additional members were James Curran, a grazier in New South Wales, and David Hoare,

*Sir Eric
McClintock,
Chairman of the
1983 Review
Panel.
[SIR ERIC
MCCLINTOCK]*



chairman of Bankers Trust Australia Ltd. Tony Hely acted as secretary of the panel and was responsible for drafting the report. Paul Barratt attended meetings and was available for advice. The panel included a good measure of knowledge and wisdom about the challenges of Australian export promotion, but was unlikely to produce a radical reform agenda.

The panel's terms of reference were extremely

broad. It was invited to report on:

- the implications of developments in the world trading environment and in the Australian economy for the trade commissioner service
- possible means of improving the operation and effectiveness of the service with particular reference to the resources (staff, finance, office technology) needed to enable the service to perform the role that is expected of it by the Australian community.

Building on the findings of the task force, for the most part the panel offered broad advice rather than specific recommendations. On the continuing role of the trade commissioner service, the panel was unequivocal:

The need for a Trade Commissioner Service is as evident now as it was 50 years ago when the Service was formally established through the passage of the Trade Commissioners Act. The importance of trade to the domestic economy and the need for export led economic growth, points to the need for a strong and independent Trade Commissioner Service in the foreseeable future.¹⁰

This conclusion was not supported by close reasoning, and was in the nature of an article of faith at a time of poor economic performance.

The panel made important points, however, on the need for a much more coordinated commercial strategy and for the development of strategic targeting of export markets. The reference to tighter coordination amounted to a mild reprimand of previous governments. The panel had in mind the use of policy instruments such as offsets for non-defence contracts, export promotion

linked to aid programs and government purchasing, and the potential of Australian investment overseas as a means of developing export markets (with trade commissioners playing a role in the process). It also suggested that the government should encourage multinational companies to relax the franchise arrangements that restricted Australian-based subsidiaries of these companies entering certain export markets. The panel also waved the flag of government support for high-technology exports, but did not explore how this would be achieved. These were not particularly radical ideas and, even if they could all be implemented, were unlikely to transform Australia's export performance. But the point about the need for a more holistic export strategy was well made and, by implication, intimated that too much of the burden had been carried by the trade commissioner service.

The panel's emphasis on the adoption of a more targeted approach to export promotion paralleled the new thinking within the department as reflected in the earlier report of the task force. The panel advised as follows:

There should be a more targeted approach to export development activities involving the development of specific market by market strategies, the establishment of broad priorities and the concentration of Trade Commissioner resources on these priorities. For example changing industry structures and consumption patterns are creating substantial new and rapidly growing markets in a segment of the Japanese market that Australia has barely broached ... This will require a more substantial and imaginative commitment to the market than has been mounted to date.¹¹

In other words, it was not sufficient to distribute trade commissioners across important and developing markets, and allow commercial opportunities to emerge. The identification of priorities needed to be research-based to provide the information for marketing strategies. There also needed to be more flexible travel by commissioners to enable them to consult with Australian companies over longer periods, and for commissioners to spend longer periods in Australia working with companies to improve export orientation. This was tacit recognition that much of the problem of poor export performance lay in Australia and was by no means confined to problems of market access abroad.

The panel urged that the service 'bite the bullet' and avoid spending time on companies with little prospect of export success. In the past commissioners had found it difficult to turn down trivial and poorly planned requests for assistance, and considerable time had been wasted as a consequence. This was one reason for the introduction of a charge for services provided by the trade commission with the formation of Austrade.

Other proposals focused on the management of the service. Consistent with the need for a more strategic approach, the government was urged to provide budget allocations on the basis of a three- to five-year program. Similarly, the service was urged to adopt long-term programs and objectives, and to update these regularly. The panel was of the view that the service should continue to be staffed by a core of career commissioners, but that more use should be made of appointees on one-term contracts and drawn from industry. These ideas were not new and to some degree were already in use. The panel's recommendations served to support a developing trend.

An important point was made about the internal management of the service. As we have seen, in the 1950s and 1960s the service was managed by a director who was responsible for a trade commissioners branch. Subsequently, however, responsibility was divided between the management and the trade relations and markets division. Commissioners also maintained links with the department's central office and its regional offices in each of the capital cities. While there was functional logic in this division of responsibility, commissioners lacked a central point of contact. The panel proposed, therefore, the appointment of a chief executive officer of the trade commissioner service. Effectively this was achieved with the corporatisation of Austrade in 1986.

It is interesting to note that the panel largely sidestepped the issue of relations between Trade and Foreign Affairs, presumably arguing that this was an internal issue for the government and not part of its remit. It proposed, however, that commissioners, particularly senior trade commissioners, 'need to be accorded a status at posts commensurate with their position and functions and, hence, commensurate with the high importance of trade in Australia's external policy'.¹² The Trade view was that commissioners were generally accorded appropriate diplomatic status but that, at the level of minister (commercial), Foreign Affairs discriminated against officers from attached departments.¹³

In summary, the core themes of the panel's proposals were enhancement of marketing, more targeting of market opportunities, greater flexibility in the management of staff, and additional resources. The thrust had a particular private-sector flavour, although nothing was written formally to move in this direction. Also, by implication, there was concern about the rigidity of public-sector operations. The logic was that, if the trade commissioner service was to have a greater commercial impact, it would need to act more as a commercial organisation.

The government also appointed an export marketing strategy panel chaired by Bill Ferris, at the time group managing director of Barlow Marine Ltd. The panel's report, entitled *Lifting Australia's Performance as an Exporter*

of *Manufactures and Services*, completed in 1985, provided useful advice on strategies for enhancing export performance in manufacturing and services, and supported the efforts that were already in train for targeting of selected markets. There was no shortage of advice for improvement and suggestions for change.

The Department of Trade's consideration of the McClintock report almost immediately produced an issue of high policy: the future of the 'mixed' service that included both trade promotion specialists and those that concentrated on trade policy and trade relations matters. As noted earlier, over the past decade there had been a drift towards policy work and this was one reason for the perceived deterioration in performance. One solution was to separate formally policy and promotional work on the grounds that there should be a total commitment to the marketing effort, and this view was gaining currency towards the end of 1983. The other view was that separation in this way would be detrimental to the total effort to improve Australia's trade performance. This view was held firmly by Paul Barratt, who was acting secretary of trade after the departure of Jim Scully and before the arrival of John Menadue. Barratt's position was that the two functions were inextricably linked. As he explained to Minister Bowen:

There is hardly a promotional post around the world not needing men with basic promotional skills blended with a capacity to develop a relationship with government agencies whose support is essential if business is to be secured. Such representations to governments may relate to the *selling* of bulk commodities, which is a *promotion* function, or to the *negotiation of access*, which is a *trade policy* function.

The administration of the Trade Commissioner Service must in my view take account of the fact that in many countries *governments* will greatly influence the direction of purchases of commodities, manufactured goods and services; a Service whose staff is not equipped to deal with governments and government agencies is not in a position to promote Australia's trading interests to the fullest advantage [*italics in original*].¹⁴

The matter was not resolved for many months, and was a touchstone issue. But the weight of opinion was moving in favour of separation, and it emerged that Barratt was making too sharp a distinction. Contact between commissioners and foreign governments and their agencies was essential, particularly in centrally planned and developing countries, but it was not necessary to classify all such contact as policy work. Indeed, there was a distinction between the broad policy issues, such as those relating to trade

and commodity agreements, and the day-to-day work of commissioners in dealing with governments and their agencies. This is not to suggest that there were not disadvantages in separation and these had yet to be resolved, but they were not as great as Barratt suggested.

The pace of consideration of the issues slowed appreciably for much of 1984. One reason was that Secretary Menadue was settling into his new role. Another was that Minister Bowen, having acquitted the commitment to conduct a review of the trade commissioner service, was not pressing for a resolution. A third was the degree of difficulty of the issues raised by the McClintock review panel. It was unlikely, for example, that the government would commit substantial additional resources to the service, and it was unclear how the panel's emphasis on achieving a greater commercial orientation could be delivered.

It was only towards the end of 1984 that the framework of future arrangements began to emerge. John Menadue presented an outline at an important conference in Singapore of heads of mission and senior trade commissioners in countries belonging to ASEAN. This was an important occasion because it was one of the first reasonably public indications of the state of official thinking about the future of the service. What emerged, with one exception, was in line with the two reviews conducted in 1983.

The issues of particular interest to trade commissioners were the emphasis on a more proactive marketing approach, the deployment of resources to achieve export targets, the targeting of particular countries and regions and, by implication, a partial move away from the global approach to resource deployment that had emerged in the 1960s. Menadue referred to the departmental view that there was not sufficient delineation between commissioners involved in policy work and those concerned with promotion, although the solution was not yet in sight. He also referred to the view that the service was thought to be something of a closed shop, and needed opening to external competition. It was believed that there were too many career commissioners who spent too much time abroad and were not sufficiently close to Australian industry. At a slightly later date John Dawkins suggested that these senior commissioners were like Flying Dutchmen, circling the world but never landing. This was behind the rather bizarre idea that, normally, trade commissioners should be limited to one overseas posting and, at the most, should be limited to three such postings. This was a serious devaluation of experience, and was in practice unworkable, but is an indication of the depth of dissatisfaction with arrangements at that time.

Menadue suggested, further, that it was intended to approach the top exporting companies to attract up to 150 marketing staff for one-off

appointments. Additional commissioners were to be appointed to Trade's regional offices to work more closely with manufacturing firms to enhance export performance. Resources were to be used more flexibly, and this was expected to be possible because 'we are making a conscious effort to get out of unproductive posts and transfer resources into more productive areas'.¹⁵ It is clear that some of these proposals were not fully considered, and that more work needed to be done. But Menadue had accepted the thrust of the emerging consensus within the department.

A departure from previous thinking was partial cost recovery for services provided by commissioners. As Menadue explained, 'there is no doubt in my mind that cost recovery will be an important discipline on us and to some extent a gauge of the value of our services'.¹⁶ This was presented as firm policy. When translated into practice in 1986, the departure from the idea of a free service proved to be highly controversial. Many established commissioners thought that it was a retrograde step, and antithetical to the nexus between the service and commercial enterprise. In this view, the introduction of cost recovery amounted to despoliation of the gift. The other view, held by the younger generation of commissioners, was that modest cost recovery improved the professional relationship between client and service provider. The services to be provided were designated in advance and in detail, and a price determined. If this were accepted, a quasi-commercial relationship would be established. The service would be judged on a modified form of market criteria. In this way, most trivial or ill-considered requests, and there had been many, were largely eliminated. In short, there were good reasons for the change so long as the introduction did not have an adverse impact on the incentive to explore export markets.

In the weeks leading to the federal election held on 1 December 1984, there was still much to do to pull together the package of reform measures into a coherent whole. It would take a new minister to provide the intellectual muscle and the political clout to drive through major reform. But, at one level, change was already in train, and it is to this that we now turn.

Targeting in practice

Targeting as the new leitmotiv of export policy was initiated during the task force's examination of the trade commissioner service early in 1983. As the destination for 27 per cent of Australia's exports, Japan was the obvious candidate and to a lesser degree so too were the United States and New Zealand. But, in terms of growth potential, China appeared to be the glittering prize after Deng Xiao Ping's announcement of the 'open door policy' in 1979. The

China action plan was the first clearly defined strategy that brought a new dimension to export promotion.¹⁷

Chinese Premier Zhao Ziyang's visit to Australia in April 1984 provided the trigger for closer relations between the two countries. Although invited by the Fraser government, Zhao was embraced by the Hawke government and this led to a reciprocal visit by the Australian prime minister in February 1984. Given the centrally planned nature of the Chinese economy, it was essential that the government provide the framework to support bilateral trade and investment. It was also essential to ensure that trade and investment opportunities were available in both directions to entrench the sense of commercial mutuality.

Paul Barratt and Denis Gastin, Trade's assistant secretary, North Asia section, developed the architecture of the China action plan. Bruce Nicholls was selected as the designated trade commissioner, China action plan. Nicholls, a Mandarin speaker, had experience in Europe before being posted to Beijing. As China action plan commissioner, he was located in the regional office in Sydney but spent much of his time travelling between the two countries.

Gastin's objective was to double Australian exports to China in five years, a task that he thought achievable on the current trajectory. So as to make the task more manageable in such a vast country, a limited number of Chinese provinces were targeted—Shanghai, Fujian, Guangdong, Jiangsu and Qinghai. The intention was to concentrate on export areas in these provinces where Australian expertise was particularly required, such as expertise in bulk commodities handling, minerals, energy, bulk commodities and agriculture. The technique used involved systematic cultivation of contacts in the target provinces and intensive coaching of Australian firms.

One feature of the plan was the extent to which resources were devoted to encouraging and advising companies about doing business in China. The small team of action planners spent much of their time spreading the gospel by addressing trade seminars and conferences and through membership of China advisory committees and in support of the minister's office. In one sense little encouragement was needed. In the 1980s there was much enthusiasm, some of it misplaced, about gaining access to what was emerging as the world's largest market. There were, of course, traps in conducting business in a country without the institutional framework of a market economy. As Bruce Nicholls explained:

In retrospect, there was a mismatch between our trust and belief in China's cultural acceptance of western trading practices and principles and their reluctance to shrug off centuries of barter trade mentality and the perception that they, as the Middle Kingdom, were there to accept 'tribute' from visiting foreigners (or barbarians).¹⁸

Particular care was necessary in developing obligatory joint venture agreements with Chinese partners, and in identifying joint venture partners. The development of a legal template was necessary. Preparatory work involved a visit to China by an Australian law delegation led by Justice Bob Ellicott that included senior lawyers from firms such as Blake Dawson and Phillips Fox. The development of a legal framework was essential, particularly for small firms, to enable joint ventures to be completed.

Even though the early joint ventures generated a good deal of activity, few achieved profitability. It would take years of learning lessons the hard way before many of the smaller initiatives could be placed on a secure commercial basis.

The China action plan moved to the next stage in 1984 with Prime Minister Hawke's visit to China. The prime minister launched what became known as the 'iron and steel initiative': an invitation to the Chinese to import Australian iron ore, and possibly coal, to support



Prime Minister Bob Hawke with Chinese Communist Party General Secretary, Hu Yaobang, in the Pilbara region of Western Australia, 1985.
[DEPARTMENT OF FOREIGN AFFAIRS AND TRADE]

their development plans. The proposal was presented as a government-to-government arrangement based on the complementarity of the two economies, and the possibility that Australia would be able to ease bottlenecks in China by supplying slabs and billets as well as pig iron.

The Chinese reaction was positive, and a joint study group on iron and steel was established that would examine, *inter alia*, the exchange of technical information and the possibility of Chinese investment in Australia. Subsequently agreement was reached for investment by China in an iron ore mine in Australia. It was important for long-term success that the emerging relationship be genuinely two-way.

While the two governments provided the framework, the private sector drove a rapid expansion in trade. In 1983 Australian iron and steel exports to China amounted to \$113 million but, by 1985, they had reached \$336 million. Much, if not all, of the increase was due to the iron and steel initiative, a clear indication of the importance of focus in export promotion.

The iron and steel initiative was followed by other sector-specific initiatives such as in wool and transportation. Also, technical collaboration and training

in metallurgy became part of the package, and consortia were developed to bid for major projects. The model was similar in each case. There was close collaboration between officials of the two countries, intense diplomacy and visitor exchanges—and an endless round of banquets. Given the nature of the Chinese political system, there is no doubt that the China action plan paid off. Total exports to China during the four-year currency of the plan (1983 to 1987) grew from \$467 million to \$1,272 million, thus easily exceeding the target of doubling exports in five years. A substantial proportion of the trade was in elaborately transformed manufactures; growth was achieved without a contribution from wheat because of tight exchange restrictions. Of course, healthy growth in exports would have been achieved without the plan but it is highly likely that the rate would have been more subdued.

In the case of Japan, the targeting approach embodied in the Japan market strategy was broadly similar to that of the China action plan, although the circumstances were quite different. By the mid-1980s Japan had become a mature market for Australian exports, and the exponential growth characteristic of the 1960s and 1970s had been replaced by a number of years of subdued growth. Australian exports destined for Japan continued to be dominated by bulk commodities that were experiencing downward price pressure. However, because of income growth in Japan, there appeared to be opportunities to expand the range of non-traditional exports such as speciality and leisure-related goods.

As in the case of China, a fact-finding mission in 1983 laid the basis for the Japan market strategy. The mission was sponsored by the Trade Development Council and was led by Denis Gastin. The mission concluded that Japan's recovery from the recession of the early 1980s would not necessarily lead to improved prices for Australia's traditional exports, but it identified the opening of new market opportunities.¹⁹ Subsequently two respected Japanese market research organisations were commissioned to investigate opportunities for Australian manufactures, including food and services. In turn this was followed by the visit of Prime Minister Hawke to Tokyo early in February 1984, during which it was agreed with Japanese Prime Minister Yasuhiro Nakasone that there should be reciprocal missions to identify, on both sides, greater opportunities for market penetration. The Australian mission in July 1984 that was led by a senior executive of the Westpac Banking Corporation emphasised the importance of building a long-term relationship with Japan under the theme of 'persistence and quality'.²⁰ For its part the Japanese mission of November 1984 supported the thrust of the Australian report, made specific suggestions for improved bilateral trade, and proposed that Australia should adopt the theme 'persistence, performance and price'. Subsequently Prime Minister Nakasone paid a return visit to Australia in February 1985.

The amount of trade diplomacy involved in these prime ministerial visits and missions might seem excessive, but was essential to build mutual understanding and to obtain a more precise appreciation of export opportunities. The follow-up action, however, was crucial. The Japan market development office was established under the directorship of P. Denton, a businessman with extensive marketing experience in Japan. The purpose of the office was to identify Australian companies and to persuade them to initiate and/or expand exports to Japan. In addition an



*Prime Minister
Bob Hawke
greeting a
Japanese Trade
Mission, 1987.
[NATIONAL
LIBRARY OF
AUSTRALIA]*

Australia–Japan business forum, under the chairmanship of Sir James McNeill, was created to provide companies with advice to assist their Japanese marketing endeavours. A minister (marketing) was also appointed in Tokyo to coordinate the Japan marketing strategy in Japan.²¹

The intensification of support for Australian firms wishing to export to Japan paid good dividends. In the context of a flat overall level of exports to Japan, the value of elaborately transformed exports increased from \$88 million in 1984/85 to \$252 million in 1987/88, and almost doubled again by 1990/91. The Japanese themselves played an important part in this process. Japan provided specific assistance with the inclusion of Australian wine and furniture as the first products in Japan's specific-products trade expansion program. Medical equipment and bedding were other examples where success was achieved. This was only the first phase in what was intended as a long-term strategy, but it indicated that trade with Japan—as with most countries—required constant and detailed management.

The North American special exercise was not radically different from traditional trade promotion strategies. The essence of the exercise was to provide additional marketing and promotional assistance to those firms with the willingness and capacity to expand in the North American market. Ten Australian industry groups were targeted for a special promotional program that included trade displays throughout the United States and Canada. The number of individual firms that participated increased substantially. In March 1985 senior trade commissioners from the region were involved in industry

consultations and marketing workshops. American marketing experts were brought to Australia to assist in the exercise. Special workshops were conducted, for example, on computer software and automobile components.

Also of significance was the negotiation of a restraint arrangement for the export of Australian steel to the United States. An American anti-dumping action against Australian steel exports had effectively halted one of the largest export items to the United States. The bilateral agreement of 1985 substituted a quota system for the anti-dumping action, and allowed for the sale to the United States of 170,000 short tons of finished steel products and an additional 50,000 short tons of semi-finished steel products a year for a period of five years.²² In the case of the United States, trade arrangements were rarely long-term; vigilance was always required.

It is always difficult to explain short-term movements in trade values, but it is notable that there was an improvement in exports in the mid-1980s, despite difficult general conditions. The value of Australian exports increased from \$2.59 billion in 1983/84 to \$4.2 billion in 1986/87. A small part of the improvement was probably due to the North American special exercise.

Strategic targeting was not a substitute for traditional methods of promotion by trade commissioners. It was a crucial and probably overdue addition to the instruments of export expansion, particularly in the larger markets for Australian goods. And this proved to be a developing trend that was reinforced after the formation of Austrade.

A one-stop trade shop

When John Dawkins was appointed minister for trade in December 1984, the main issue to be resolved in relation to the future of the trade commissioner service was structural. As we have seen, a change in the mode of operation was well advanced. To be sure, there was more that might be tried, including a closer regional grouping of trade commissioner resources to reinforce targeting, but the shift to a more focused approach to selected markets needed time to prove its worth.

The outstanding issue from 1984 was the possible separation of policy and trade relations commissioners from those focused on trade promotion. As noted, the perception that emerged in 1983 was that the relative growth in trade relations work, propelled as it was by the growth in protectionism around the world in the 1970s, had impinged adversely on trade promotion, and possibly contributed to the deterioration in export performance.

With the advantage of hindsight, this was a longbow. 'Policy' posts were relatively few in number. The posts devoted predominantly, if not completely, to policy issues were Brussels, New Delhi, Ottawa, Washington and Wellington.

It is true that a number of other posts were heavily involved in policy issues, notably London, Rome and Tokyo, and that most posts located in national capital cities were involved to a substantial degree. This was particularly the case for posts located in East Asia, the Middle East and the Soviet bloc. The fact that so many posts were involved in both trade promotion and policy indicates the complexity of the issue.



Minister for Prime Industry, J. Kerin (CL), and Minister for Trade, John Dawkins (CR), with Canadian (L) and Argentinian (R) delegates at the Ministerial Meeting of Fair Traders in Agriculture, Cairns, 1986. [DEPARTMENT OF FOREIGN AFFAIRS AND TRADE]

Fresh from reform of the public service, Dawkins threw himself into the task of re-engineering those parts of the Department of Trade that were concerned, directly or indirectly, with the promotion of exports. It should be remembered that in the mid-1980s the new managerialism derived from the United States and the United Kingdom was beginning to gain currency. Corporatisation, strategic planning, operational planning, performance reviews and appraisal of staff were some of the ‘buzz’ ideas of the time. Public service reform was replete with the new apparatus. This reflected the lean economic experience of the previous decade and the need to extract more from less.

Characteristically Dawkins decided to go much further than had been envisaged in the reviews of 1983. Within a few months the minister had devised a radical plan after a swift round of consultation. The key driver was administrative coordination and the presumed improvement in efficiency and effectiveness. Instead of separate agencies dealing with different aspects of export facilitation, the idea was to create a one-stop trade shop by creating a new authority—the Australian Trade Commission—to combine the functions and powers of the trade commissioner service, the Export Development Grants Board, the Export Finance and Insurance Corporation (EFIC) and the Australian Overseas Projects Corporation (AOPC) into a single organisation. The proposal was approved in principle by Cabinet on 17 April 1985,²³ and announced in a press release on 23 April. A statement to parliament followed, in which the minister recounted the well-known features of Australia’s precarious trade position.²⁴

Once the decision had been made to combine the four organisations into a single body, it followed almost automatically that the Australian Trade



The inaugural meeting of the Export Finance and Insurance Corporation in Canberra, 1975. Clockwise from far L: T.B.C. Bell, K.H. McLeod, P.J. Dixon, C.F. Clements, J.S. Frazer, Sir Samuel Jones, C.M. Toop, J.B. Clarkson, F.G.H. Pooley, G.H. Mitchell, Dr W.L. Hughes and G.A. Hawley.

[DEPARTMENT OF FOREIGN AFFAIRS AND TRADE]

Commission would be established as a corporate entity in its own right. EFIC and AOPC were themselves statutory corporations and required a corporate structure to operate with appropriate legal protection. Further, the judgment was that a corporate vehicle would be appropriate for the trade commissioner service with its enhanced commercial focus. Exclusion of the policy-oriented commissioners from the corporate entity would, at least in theory, allow commissioners concerned with trade promotion to concentrate on their commercial role.

Whether the four organisations fitted together in a cultural and functional sense appears not to have been given close consideration. In particular it was not clear that EFIC, with responsibility for finance and risk management, melded well with the more entrepreneurial aspects of the trade commissioner service and AOPC, and, within a few years, EFIC was excised from the Australian Trade Commission. But, for the moment, coordination and integration were the ideas propelling change.

The excision of the entities to comprise the Australian Trade Commission left the Department of Trade a shadow of its former self. When the new commission had been fully established, Menadue explained that Trade would become:

a policy development and co-ordination department equipped to deal with multilateral and bilateral trade policies and negotiations, international commodity arrangements, negotiations with various governments, minerals and export policy, export facilitation policies and the like. It will remain responsible for the *strategic planning aspects of market development efforts* (e.g. China action plan, Japan market strategy) and the *government-to-government dimensions of their implementation*.²⁵

Trade would retain responsibility for the 'pure' policy posts. This separation immediately raised questions about coordination between Trade and the Australian Trade Commission.

While the broad structure appeared to be set, there was an immense amount of detail to be determined. A departmental task force was established to examine issues such as legislative requirements, the composition of the new board, financial arrangements, staffing (including the transfer of staff between agencies), the issue of common services with the Department of Foreign Affairs and a host of technical matters. Ted Exell, at the time director of the trade commissioner service, was directly responsible for the details of the implementation package. It is interesting to note that, at this stage, the acronym for the Australian Trade Commission was Atcom. A little later the acronym was changed to the even less felicitous Atracom before Austrade was devised.

Development of the package for Cabinet consideration was completed remarkably quickly (it was ready by 3 June). Cabinet agreed that the Australian Trade Commission should be established as a body corporate as from 1 January 1986. Most other details were agreed as previously foreshadowed, including the establishment of EFIC as a body corporate within the commission and the full integration of AOPC. Additional matters agreed upon were the retention of the Trade Commissioners Act (possibly with a change of title) and the ability of Austrade to exercise a degree of control over its property.²⁶ In the event, the substance of the Trade Commissioners Act was retained to enable the minister to continue to make appointments to trade policy positions, and these powers were incorporated into the Trade Representatives Act.

The proposed creation of the commission raised important issues about relations with the Department of Foreign Affairs. These included the relation between Austrade trade commissioners and the head of mission, the extent to which commissioners would continue to exercise consular responsibilities, and the matter of diplomatic 'cover' for Austrade commissioners. At first, Foreign Affairs was inclined to stall and argue that these matters should be determined before the commission was brought into being. But this was not acceptable to Dawkins, who was determined to press ahead with the original plan to establish

the commission on 1 January 1986. Bill Hayden, as foreign minister, was keen to protect the interests of his department, but was also willing to be pragmatic. Most of these issues were not decided in advance and were subsequently determined on a case-by-case basis. Broadly, those officers who were in policy positions and continued in Trade were appointed as ministers (commercial) or counsellors (commercial) depending on status. While on overseas postings they continued to be responsible to the head of mission. Trade promotion commissioners employed by the Australian Trade Commission were designated trade commissioners (at a specified level). Diplomatic status was determined on an individual basis. To allow trade commissioners maximum operational flexibility—one of Dawkins' prime objectives—responsibility to the head of mission was much reduced.²⁷

The legislation that established the Australian Trade Commission on lines already announced received its second reading on 11 October 1985.²⁸ The opposition was supportive and passage was smooth and prompt. The minister's justification for what was a complex administrative change is worth quoting:

By establishing the Australian Trade Commission as a body corporate, the Bill will enable the Commission to have sufficient flexibility and independence of management to respond quickly to changes in international market conditions. It will also be a source of valuable advice for the government and provide an early warning mechanism on international changes and trends affecting Australia's trade. Since the Commission will have the power to charge for some services at present provided free, it will also more easily be able to identify those services which are of benefit to exporters and those regarded as of little value.²⁹

Such was Dawkins' determination to press ahead as quickly as possible that an interim board and interim chief executive had already been appointed (August 1985) under the chairmanship of Dr Brian Scott, an experienced Sydney-based management consultant and a recent member of the Trade Development Council. A well-credentialed board drawn predominantly from the private sector supported the interim chair.³⁰ Ted Exell, the trade official who had guided formation of the Australian Trade Commission at the administrative level, was appointed interim chief executive. The purpose of the interim board was to participate in the selection of the continuing chief executive and to assist in the development of the commission's commercial philosophy and mode of operation.

The Australian Trade Commission, with the more appropriate acronym Austrade, was inaugurated on time early in January 1986. Structural change had been achieved at breakneck speed. The search for a chief executive had



*Original
AUSTRADE
logo, c. 1986.
[AUSTRADE]*

not produced the depth of field that had been expected, but it was judged that a satisfactory appointee was available. The person selected was Lindsay MacAlister, a geologist by training, and at the time chairman and managing director of the General Electric Group in Australia. There were a number of changes to the interim board, and the size of the board was enlarged progressively from seven to eleven members during 1986 and 1987. Verner Christie, chief executive of the Commonwealth Banking Corporation, was appointed chairman. Those who served on the interim board and were appointed to the permanent board were Nixon Apple, David Asimus, Ted Exell, Bill Ferris, Kevan Gosper and Nicholas Whitlam. Of course, Lindsay MacAlister joined the permanent board early in 1986.

All of the regional trade offices in Australia were transferred to the new corporation. Austrade had an initial annual budget of about \$200 million and employed in excess of 1,000 staff. This compares with a budget of about \$30 million for Trade and a relatively small number of overseas posts. It also compares with a budget of around \$23 million for the trade commissioner service in 1983/84 before the major restructuring. After the Hawke government's departmental reorganisation of 1987, Trade joined with the Department of Foreign Affairs to form the Department of Foreign Affairs and Trade. It is ironic that, after all the striving of Foreign Affairs to achieve an integrated overseas service, most of the trade commissioners escaped the net, and that Foreign Affairs was left with the consolation prize of a diminished portfolio.

It is not the purpose of this book to provide a full assessment of the impact of the formation of Austrade or the consequences of the loss of a powerful Department of Trade. There is no doubt that Austrade gained operational flexibility, as Dawkins claimed, and that resources could be assembled more readily to focus on target markets—although this had been possible in the more entrepreneurial Department of Trade in the mid-1980s. There was also advantage in a degree of distance from the Public Service Board that a statutory corporation allowed, and in the control of property that was permitted. On the other side of the ledger, there was disadvantage in the formal separation of

policy and trade promotion. There is no doubt that one informed the other. The problem of drift to policy-oriented activities that in the early 1980s was perceived to reduce the effectiveness of the trade commissioner service could have been handled in other ways and without the creation of a corporate structure.

It should not be supposed that Austrade was the only shot in John Dawkins' locker. In 1986 he was busy seeking ways to remove barriers to export expansion. These included trade-related transport impediments such as railway freight rates for bulky commodities, the removal of unnecessary export controls, the identification of policies for the expansion of export of services, improvements to export finance arrangements to assist competitiveness, and trade-related federal issues such as lack of standards between the states and duplication between the Commonwealth and states. The minister even floated the idea of a board of trade, or at least a ministerial committee, for the coordination of all aspects of Australia's economic and commercial relations that would transcend individual portfolio responsibilities.³¹ The minister's quest for improved efficiency through integration of functions appeared endless.

Austrade, however, was the centrepiece of Dawkins' relatively brief tenure as minister for trade. The new organisation presented a major challenge for management. At an operational level the four entities that comprised Austrade had relatively little in common other than a broad orientation to export development, and it was rather quixotic to believe that amalgamation per se would achieve a great deal. What is clear is that the trade commissioner service was at the heart of the new organisation.

Afterword

The story of the trade commissioner service presented in *Emissaries of trade* covers some nine decades, beginning in the pre-Federation period and continuing through to the creation of Austrade in 1986. Over this period, Australian government trade promotion evolved from the appointment of trade envoys by individual colonies, and later the states, to the Australian Government's coordination of a geographically diverse and enduring service. This service was underpinned by the Trade Commissioners Act of 1933 later transitioning to the Australian Trade Commission Act in 1985 heralding the formation of Austrade.

Trade commissioners have been much more than 'emissaries of trade' pursuing commercial opportunities in exotic and far-flung locations around the world. These Australian men and women have been an integral part of Australia's engagement with the world, performing their duties in times of peace and war, drought and flood, boom and recession.

This book draws out the recurring themes that have challenged successive governments in the development of Australia's international trade. Among the most interesting and continuing themes is the importance of information flows in pursuing the advancement of trade. Also noteworthy is the evolution of government policies relating to export promotion in response to changes in the international and Australian economies.

The over-riding insight to emerge, however, is the importance of having skilled and motivated people with knowledge of local markets 'on the ground' to cultivate business relationships and pursue opportunities for exports. While communications technologies and improvements in business processes have revolutionised the technicalities of trade, the human touch and on-ground experience in understanding the intricacies of individual markets and fostering relationships and building contacts, have remained a constant.

There is a sense of adventure in the way in which Australia's trade commissioners sought out new markets and opportunities for the nation's exports. To engage in this sometimes hazardous pursuit they were people of great character with flair, initiative and dynamism. The difficulties they faced were offset by the satisfaction that was derived by these men and women from promoting our nation's economic interests, both abroad and at home.

As part of this history, it must be acknowledged that the individual success of the Australian men and women of the trade commissioner service is intrinsically linked to the work of the highly dedicated locally engaged employees. These locally engaged staff apply their extensive knowledge,

enthusiasm and commitment for the benefit of Australian interests and provide an in-market expertise that would not be possible with the cyclical nature of the posting of trade commissioners. Their loyalty and tenure of service provides continuity in the operation of posts and builds rapport and trust with Australia's customers.

Although *Emissaries of trade*, as a history of the trade commissioner service, ends with the formation of Austrade more than twenty years ago, it describes the qualities, skills, attitudes and sense of history which are the foundations on which Austrade is built.

These qualities continue to inform and inspire the current generation in developing Australia's trade in the highly competitive international marketplace of the twenty-first century.

'Austraders' of today are honoured to continue and build on the work of the 'emissaries of trade' whose story this book has chronicled.

On behalf of the Australian Trade Commission I acknowledge that rich history.

Peter O'Byrne
Chief Executive Officer
Australian Trade Commission (Austrade)
15 December 2007

Appendix I

Ministers and secretaries of departments responsible for trade matters, 1901–2008

DEPARTMENT OF TRADE AND CUSTOMS, 1901–1956

Ministers

Rt Hon. Charles Cameron Kingston	1 January 1901 – 24 July 1903
Hon. Sir William John Lyne	11 August 1903 – 27 April 1904
Hon. Andrew Fisher	27 April 1904 – 17 August 1904
Hon. Allan McLean	18 August 1904 – 5 July 1905
Hon. Sir William John Lyne	5 July 1905 – 30 July 1907
Hon. Austin Chapman	30 July 1907 – 13 November 1908
Hon. Frank Gwynne Tudor	13 November 1908 – 1 June 1909
Senator the Hon. Sir Robert Wallace Best	2 June 1909 – 29 April 1910
Hon. Frank Gwynne Tudor	29 April 1910 – 24 June 1913
Hon. Sir Littleton Ernest Groom	24 June 1913 – 17 September 1914
Hon. Frank Gwynne Tudor	17 September 1914 – 14 September 1916
Rt Hon. William Morris Hughes	29 September 1916 – 14 November 1916
Hon. William Oliver Archibald	14 November 1916 – 17 February 1917
Hon. Jens August Jensen	17 February 1917 – 13 December 1918
Hon. William Alexander Watt	13 December 1918 – 17 January 1919
Hon. Walter Massy Greene	17 January 1919 – 21 December 1921
Hon. Arthur Stanislaus Rodgers	21 December 1921 – 5 February 1923
Hon. Austin Chapman	9 February 1923 – 26 May 1924
Hon. Sir Littleton Ernest Groom	29 May 1924 – 13 June 1924
Hon. Herbert Edward Pratten	13 June 1924 – 7 May 1928
Rt Hon. Stanley Melbourne Bruce	8 May 1928 – 24 November 1928
Hon. Sir Henry Somer Gullett	24 November 1928 – 22 October 1929
Hon. James Edward Fenton	22 October 1929 – 4 February 1931
Hon. Francis Michael Forde	4 February 1931 – 6 January 1932
Hon. Sir Henry Somer Gullett	6 January 1932 – 14 January 1933
Hon. Thomas Walter White	14 January 1933 – 8 November 1938
Hon. John Arthur Perkins	8 November 1938 – 26 April 1939
Hon. John Norman Lawson	26 April 1939 – 23 February 1940
Rt Hon. Robert Gordon Menzies	23 February 1940 – 14 March 1940
Senator the Hon. George McLeay	14 March 1940 – 28 October 1940
Hon. Eric John Harrison	28 October 1940 – 7 October 1941
Senator the Hon. Richard Valentine Keane	7 October 1941 – 26 April 1946
Hon. John Johnstone Dedman	26 April 1946 – 18 June 1946
Senator the Hon. James Mackintosh Fraser	18 June 1946 – 1 November 1946
Senator the Hon. Benjamin Courtice	1 November 1946 – 19 December 1949
Hon. (Michael) Neil O'Sullivan	19 December 1949 – 11 January 1956

Secretaries/Comptrollers-General

Harry Newton Phillips Wollaston	1 January 1901 – 16 January 1911
Nicholas Colston Lockyer	17 January 1911 – 10 August 1913
Stephen Mills	11 August 1913 – 22 September 1922
Percy Whitton	23 September 1922 – 14 March 1923
Robert McKeeman Oakley	15 March 1923 – 27 August 1927
Ernest Thomas Hall	28 August 1927 – 4 December 1933
Edwin Abbott	5 December 1933 – 5 July 1944
John Joseph Francis Kennedy	6 July 1944 – 6 February 1949
William (Bill) Terry Turner	7 February 1949 – 30 November 1952
Francis (Frank) Anthony Meere	1 December 1952 – 10 January 1956

DEPARTMENT OF MARKETS AND MIGRATION, 1925–1928

Ministers

Hon. Reginald (later Sir) Victor Wilson	16 January 1925 – 18 June 1926
Hon. Thomas Paterson	18 June 1926 – 19 January 1928

Secretary

Edward Joseph Mulvany	16 January 1925 – 19 January 1928
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DEPARTMENT OF MARKETS (I), 1928

Minister

Hon. Thomas Paterson	19 January 1928 – 10 December 1928
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Secretaries

Edward Joseph Mulvany	19 January 1928 – 18 April 1928
Hayburn Thomson (Acting)	18 April 1928 – 1 August 1928
Herbert Charles Brown	1 August 1928 – 10 December 1928

DEPARTMENT OF MARKETS AND TRANSPORT, 1928–1930

Ministers

Hon. Thomas Paterson	10 December 1928 – 22 October 1929
Hon. Parker John Moloney	22 October 1929 – 21 April 1930

DEPARTMENT OF MARKETS (II), 1930–1932

Ministers

Hon. Parker John Moloney	21 April 1930 – 6 January 1932
Hon. Charles Allan Seymour Hawker	6 January 1932 – 14 April 1932

Secretary

Edward Joseph Mulvany	21 April 1930 – 14 April 1932
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DEPARTMENT OF COMMERCE, 1932–1942**Ministers**

Hon. Charles Allan Seymour Hawker	13 April 1932 – 3 October 1932
Rt Hon. Joseph Aloysius Lyons	3 October 1932 – 13 October 1932
Hon. Frederick Harold Stewart	13 October 1932 – 9 November 1934
Rt Hon. Earle (later Sir) Christmas Grafton Page	9 November 1934 – 26 April 1939
Senator the Hon. George McLeay	26 April 1939 – 14 March 1940
Hon. Archie Galbraith Cameron	14 March 1940 – 28 October 1940
Rt Hon. Sir Earle Christmas Grafton Page	28 October 1940 – 7 October 1941
Hon. William James Scully	7 October 1941 – 22 December 1942

Secretaries

Edward Joseph Mulvany	13 April 1932 – 16 December 1934
James Francis Murphy	17 December 1934 – 21 December 1942

DEPARTMENT OF COMMERCE AND AGRICULTURE, 1942–1956**Ministers**

Hon. William James Scully	22 December 1942 – 1 November 1946
Hon. Reginald Thomas Pollard	1 November 1946 – 19 December 1949
Hon. (later Rt Hon.) John McEwen	19 December 1949 – 11 January 1956

Secretaries

James Francis Murphy	22 December 1942 – 20 November 1945
Edwin McCarthy	21 November 1945 – 26 April 1950
John Grenfell Crawford	4 May 1950 – 11 January 1956

DEPARTMENT OF TRADE (I), 1956–1963**Minister**

Rt Hon. John McEwen	11 January 1956 – 16 December 1963
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Secretaries

John (later Sir) Grenfell Crawford	11 January 1956 – 31 August 1960
(Wilfred) Alan (later Sir) Westerman	1 September 1960 – 16 December 1963

DEPARTMENT OF TRADE AND INDUSTRY, 1963–1972**Ministers**

Rt Hon. (later Sir) John McEwen	17 December 1963 – 5 February 1971
Rt Hon. John Douglas Anthony	10 March 1971 – 5 December 1972
Hon. Edward Gough Whitlam	5 December 1972 – 19 December 1972

Secretaries

Sir (Wilfred) Alan Westerman	17 December 1963 – 1 February 1971
Douglas Henry McKay	1 February 1971 – 19 December 1972

DEPARTMENT OF OVERSEAS TRADE, 1972–1977**Ministers**

Hon. Dr James (Jim) Ford Cairns	19 December 1972 – 11 December 1974
Hon. Francis (Frank) Daniel Crean	11 December 1974 – 11 November 1975
Rt Hon. John Douglas Anthony	12 November 1975 – 20 December 1977

Secretary

Douglas Henry McKay	19 December 1972 – 21 December 1977
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DEPARTMENT OF TRADE AND RESOURCES, 1977–1983

Minister

Rt Hon. John Douglas Anthony 20 December 1977 – 11 March 1983

Secretary

James Scully 20 December 1977 – 11 March 1983

Minister for Special Trade Negotiations

Hon. John Winston Howard 17 July 1977 – 20 December 1977

Ministers for Special Trade Representations

Hon. Ransley Victor Garland 20 December 1977 – 8 December 1979

Senator the Hon. Douglas Scott 8 December 1979 – 19 August 1980

Rt Hon. Ian McCahon Sinclair 19 August 1980 – 3 November 1 1980

DEPARTMENT OF TRADE (II), 1983–1987

Ministers

Hon. Lionel Frost Bowen 11 March 1983 – 13 December 1984

Hon. John Sydney Dawkins 13 December 1984 – 24 July 1987

Secretaries

James Scully 11 March 1983 – 1 March 1984

John Laurence Menadue 1 March 1984 – 4 March 1986

Vincent William Johns Fitzgerald 4 March 1986 – 24 July 1987

DEPARTMENT OF FOREIGN AFFAIRS AND TRADE, 1987–

Ministers for Foreign Affairs and Trade

Hon. William George Hayden 24 July 1987 – 7 August 1988

Hon. Michael John Duffy 18 August 1988 – 31 August 1988

Senator the Hon. Gareth John Evans 2 September 1988 – 24 March 1993

Minister for Trade Negotiations

Hon. Michael John Duffy 24 July 1987 – 4 April 1990

Hon. Dr Neal Blewett 4 April 1990 – 27 December 1991

Ministers for Trade and Overseas Development

Hon. Dr Neal Blewett 1 February 1991 – 27 December 1991

Hon. John Charles Kerin 27 December 1991 – 24 March 1993

Ministers for Trade

Senator the Hon. Peter Francis Salmon Cook 24 March 1993 – 30 January 1994

Senator the Hon. Robert (Bob) Francis
McMullan 30 January 1994 – 11 March 1996

Hon. Timothy Andrew Fischer 11 March 1996 – 20 July 1999

Hon. Mark Anthony James Vaile 20 July 1999 – 29 September 2006

Hon. Warren Errol Truss 29 September 2006 – 3 December 2007

Hon. Simon Findlay Crean 3 December 2007 –

Appendix II

Commonwealth trade commissioners appointed prior to 1986

Part A: Commonwealth trade commissioners/commercial agents appointed prior to the *Trade Commissioners Act 1933*.

Braddon, H.Y.
 Brookes, H
 Critchley, C.E.
 Denison, H.
 Elder, J.A.M.
 Haynes, R.A.
 Little, E.S.
 Macgregor, L.R.
 Mackinnon, D.
 Sheaf, E.T.
 Sheldon, M.
 Voss, C.H.

Part B: Commonwealth trade commissioners appointed under the *Trade Commissioners Act 1933* until the formation of Austrade in 1986.

Aboud, PN	Barcham, RJ	Bonny, MWV
Abrahams, MJ	Barcham, RJ	Bowden, VG
Ahern, DJ	Barker, DK	Bowman, CR
Allen, CA	Barratt, PH	Braddock, PC
Allgrove, JM	Barry, JP	Braddock, PJC
Alparslan, J	Barry, WP	Brandon, PN
Anderson, FE	Bateman, RAC	Breen, JP
Anderson, GS	Baxter, KA	Brigstocke, WF
Anderson, PJ	Baxter, KIM	Brooks, JA
Anderson, RT	Bayliss, JM	Brown, CB
Ansell, RDK	Bayliss, RJ	Brown, RH
Archibald, JM	Bell, IE	Bruce, DC
Arcus, AL	Bennett, AJ	Buckley, AD
Armbruster, PA	Benson, EA	Burgess, MJ
Atkins, FG	Berg, VN	Burns, WG
Back, JA	Bergman, PW	Burrill, JNP
Backen, LF	Beringer, GL	Bush, RJ
Badenoch, KH	Biggs, AP	Butler, J
Bailey, PR	Birss, JD	Cairns, WD
Baird, BG	Blamey, MJ	Callaghan, AR
Baker, AB	Blums, A	Carne, CJ
Baldock, LT	Bolduan, RC	Carney, WR
Ballantine, MR	Bollen, AG	Carr, GM

Carroll, NC	Day, RM	Garran, JR
Cassidy, FML	De Ferranti, RZ	Garside, JU
Chapman, JL	Deacon, PF	Gastin, DG
Chen, BRC	Delaney, WJB	Gates, DJ
Chey, J	Dillon, EB	Gee, RC
Christian, JD	Dixon, PJ	Gibbons, DM
Churchill-Bateman, RA	Dodds, GR	Gibbons, JB
Clare, PB	Donnellan, AM	Gilbert, EB
Clark, SJ	Donoghue, CA	Gillberg, CT
Clarke, GF	Donovan, FP	Gilmour, PG
Coffey, RD	Doueih, JC	Gleson, PW
Colebatch, RG	Downey, LA	Gluth, FW
Collier, J	Downie, PC	Gollan, HR
Collings, K	Doyle, JJ	Goode, W
Collins, FHM	Duggan, WC	Goodger, HW
Collis, TW	Dulfer-Hyams, RK	Goss, TH
Combe, HDM	Dunlop, RJA	Gothe, JM
Conduit, B	Dyson, CG	Gough, PT
Connolly, BT	Edwards, KJ	Graves, JB
Conroy, GA	Ellen, RR	Gray, GR
Cook, AJ	Ellis, JA	Greenberger, BJ
Cook, HKH	Ellis, NN	Greene, BB
Cooney, P	Emanuel, NJ	Greenwell, RA
Corkery, L	Emes, GJ	Gregory, DR
Cornish, RJ	English, J	Grey, PC
Cosgrave, KJ	Fagg, DKW	Gribble, DP
Coulson, RMW	Fennessy, DJ	Grigsby, JD
Coultas, MGB	Ferris, TW	Grove, WD
Crawford, DL	Field, PS	Gullick, FR
Crichton, JH	Fisher, RJ	Gutteridge, JR
Cristofani, DR	Fitch, DR	Hadlow, RF
Critchley, CE	Flanagan, P	Haig, IM
Cronin, TN	Flavel, WL	Hain, BJ
Cunningham, GK	Fleming, AP	Hall, ERJ
Daniel, HMG	Fletcher, AJ	Hall, GJ
Davidson, CR	Fletcher, R	Hall, RJ
Davies, PE	Forbes, POG	Hammer, WCK
Davis, NP	Forsyth, IK	Hard, AG
Davis, RJ	Frank, PA	Hardham, GB
Davison, PF	Frawley, PT	Hardin, JM
Dawson, BG	Gaffey, EJ	Harding, KR
Dawson, PJ	Gale, KC	Hardy, WD
Day, AJS	Gallagher, PW	Hargreaves, GA
Day, DSE	Gardner, JR	Harris, LW

Harris, NL	Jenkin, JJ	London, JW
Hartigan, PA	Jenkin, JM	Loney, JM
Hawes, DC	Jenkins, EL	Long, MJ
Hay, JAJ	Jenkins, JHJ	Longfield Lloyd, EE
Hazzard, R	Jenkins, PJ	Lord, AR
Hearn, SE	Jennings, RE	Lord, J
Heath, MRW	Johns, BGL	Lord, JCG
Hely, AJ	Johns, DR	Lorsch, P
Hemphill, JH	Johnson, ERR	Lowday, PCW
Hennebry, J	Johnson, GF	Lowe, WS
Henty, RG	Johnson, GW	Lunn, BR
Hess, DJ	Johnson, M	Lushington-Bowles, RG
Higgs, BC	Johnston, MB	Lynch, GJ
Hill, BJ	Jones, KE	Lynch, SF
Hill, CD	Jones, RG	MacDonald, JA
Hill, GM	Jurisich, MA	Macgregor, LR
Hines, RB	Karas, A	Mackenzie, PB
Hobart, RF	Keddie, JM	Mackey, G
Hodge, E	Kent, PG	MacRae, AI
Hodgkinson, IN	Kenyon, D	Madziar, P
Hoffman, ES	King, DC	Magee, PF
Hoffman, HJ	King, PA	Maiden, ACB
Hogg, AKS	Knight, GPH	Maliphant, SJ
Holberton, RW	Knowles, MJS	Marcusson, P
Holmes, JL	Knox, MJS	Marshall, WD
Holmes, LC	Laurie, JJ	Martin, LJ
Holtsbaum, KV	Le Marchand, HM	Mathams, GG
Holyman, GI	Le Rossignol, KL	Matheson, L
Homer, AJ	Ledwidge, FA	Mathieson, KM
Hook, CE	Leedham, BV	Maxwell, BHM
Horne, PB	Letts, ED	Maxwell, RP
Hudspeth, WR	Liddy, K	May, PH
Hughes, CE	Lightfoot, JE	May, RP
Hughes, HK	Lightowler, MD	Mayer, AH
Hundertmark, B	Lilburn, BV	McAuley, IA
Hunt, TW	Limbrey, ST	McAuslan, RL
Hutchinson, J	Lind, NR	McCabe, WT
Hyland, AE	Lindenmayer, BD	McCaffrey, JP
Jackson, A	Lisners, KKG	McCarter, ML
James, RK	Livingston, RS	McCarthy, WE
Jamieson, CE	Llewellyn, J	McClellan, HE
Jamvold, PL	Lloyd, JCG	McClelland, HE
Jarvie, KH	Locktenberg, BH	McClintock, EP
Jarvis, EE	Lockyer, HG	McClintock, LL

McConnell, HGD	Nicholls, BHE	Ricketts, WJ
McDonald, J	Nicholls, JS	Ridley, AC
McDonnell, JED	Nicholson, WB	Ridley, KT
McFarlane, JN	Nutt, AL	Rive, JP
McGoldrick, AJ	O'Brien, FJ	Robert, JS
McGrath, MS	O'Bryan, JF	Roberts, MF
McHugh, GAC	O'Byrne, GBB	Robertson, PC
McKay, DH	O'Donovan, RJ	Rose, RTM
McKenzie, CC	O'Hanlon, CG	Rowell, BR
McKenzie, PM	Olah, AZ	Rowland, JH
McKernan, KF	Osborne, WA	Rule, EM
McLauchlan, CN	O'Shea-Shanahan, BW	Rutter, JB
McMahon, JV	Oxley, AR	Ryan, BL
McManus, DA	Page, AN	Ryan, DJ
McPhee, DR	Pajic, BJ	Ryan, KW
McRose, RT	Palmer, MS	Ryan, MJ
McSweeney, DFJ	Paltridge, AL	Sainsbury, JC
Meehan, WB	Panton, NS	Sargent, HC
Meere, BF	Patterson, GRB	Sault, JL
Menzies, HC	Paxton, DWGH	Saunders, PC
Menzies, JL	Payne, J	Savage, EN
Messervy, CJ	Pearson, WR	Schick, BA
Meyers, PM	Peaty, PV	Schneemann, RJCM
Millard, AB	Penrose, GWJ	Schoffel, CA
Millwood, JR	Percival, GM	Schrape, AC
Minnis, DCF	Peterson, HA	Scott, GH
Moignard, MS	Piper, BJ	Scott, J
Molan, JJ	Plank, JW	Scott, JDK
Montefiore, M	Plant, JM	Scott, MSPJDeR
Moore, DM	Pryor, GG	Scott, RB
Moran, WR	Quinane, FD	Scott, RK
Morehouse, HR	Quinn, JV	Scott, WL
Morey, JA	Radinoff, GG	Scougall, JS
Morokoff, AL	Rand, BJ	Scully, J
Moss, AJ	Rank, BJ	Searcy, PR
Mounic, RC	Rankine, HH	Selby, JA
Mouritz, NE	Raven, RC	Senger, AL
Muir, EW	Reddaway, JH	Shaw, RFE
Mulgrue, JCT	Reddy, JMT	Shepard, CR
Murray, JJ	Reed, WT	Sherwin, RA
Neal, BF	Reeves, WD	Short, JJ
Nesbitt, MJ	Rice, AG	Shubart, SD
Nesbitt, RH	Richard, DJ	Sibree, PG
Newton, MC	Richardson, J ff	Simpson, DH

Skabo, RH	Tallboys, RG	Watkins, GH
Skinner, JN	Taysom, AR	Watney, JBD
Slater, AC	Teese, CF	Watt, JG
Slocum, PD	Temby, GWS	Weatherstone, EM
Smee, MD	Thompson, HP	Weatherstone, GW
Smiles, SM	Thomson, GA	Westerman, WA
Smit, NJC	Tilley, RFW	Westwood, HV
Smith, IA	Tinney, WJ	White, MJB
Smith, JR	Titcombe, KF	Wigley, PS
Smith, JT	Tjoeng, AJEM	Williams, C
Smith, N	Todd, JB	Williams, DP
Sorensen, PR	Tonkin, JA	Willoughby, CAJ
Sorensen, PR	Trofimovs, JS	Wilson, FB Wilson,
Spanellis, NJ	Unger, FVG	RH Wing, IG
Sparkes, PJ	Wain, J	Wise, TJ
Spears, GC	Wake, NL	Wood, GSR
Spencer, DH	Waldron, EB	Wootton, AN
Stafford, JA	Walker, DM	Wotton, GA
Steele, CL	Wallace, BE	Wright, RD
Stokes, JW	Walls, GN	Wright, RJ
Strange, RG	Walsh, FT	Wrigley, H
Street, FV	Walton, TE	Young, RW
Stuart, NF	Ward, CJ	Young, WEL
Sullivan, H	Ward, FD	Zarifeh, GT
Sutton, PH	Ward, KW	Zegelin, GB
Sutton, RC	Ward, RA	
Swift, RS	Warnock, JW	
Tait, JR	Warwick-Smith, GH	

Note: Part A of the appendix has been derived from information contained in the text.

Part B has been compiled from Federal Executive Council Minute Papers.

NAA: A1573.

Notes

Chapter 1

- 1 This chapter draws extensively on Alan Taysom's unpublished History of the Australian Trade Commissioner Service (hereafter Taysom History), c. 1976. vol. 1, sections 1–7.
- 2 Minutes of Meeting of the Victorian Chamber of Manufactures, 5 March 1894, *ibid.*, section 2, p. 9.
- 3 Sinclair's letters are located at National Library of Australia, Alfred Deakin Papers, MS 1540.
- 4 Quoted in Taysom History, vol. 1, section 2, pp. 18–19.
- 5 Suttor to W.M. Hughes, 15 March 1922, *ibid.*, section 3, p. 13.
- 6 Frederic Jones to Department of Agriculture and Stock, Queensland, 30 April 1905, *ibid.*, section 6, p. 8.
- 7 *Commonwealth Parliamentary Papers (CPP)*, vol. III, no. 34, 1912.
- 8 In addition to these European initiatives, Prime Minister Andrew Fisher in 1912 announced the appointment of A.H. Hinton as Commonwealth commercial agent in Cape Town to promote commercial intercourse between Australia and South Africa. The appointment was made on an honorary basis. There is no trace of Hinton's activities, if any, underlining the shortcomings of honorary appointments.

Chapter 2

- 1 Prime Minister's file on trade: policy relating to trade representation, National Archives of Australia (NAA): A458, 442/25.
- 2 Australian trade representation abroad, NAA: A598, E1922/5975.
- 3 Report of the Minister for Trade and Customs, 28 June 1917, para. 27, *ibid.*
- 4 D.J. Bull, 'The Commonwealth of Australia's Overseas Trade Representation from Federation to the Trade Commissioner's Act, 1933', unpublished subthesis, Australian National University, Canberra 1988, pp. 17–18.
- 5 See Rohan Rivett, *Australian Citizen: Herbert Brookes 1867–1963*, Melbourne University Press, Melbourne, 1965.
- 6 Applications and appointments of Australian trade commissioners and representatives in various overseas countries, NAA: A597, A1919/793.
- 7 P.G. Edwards, *Prime Ministers and Diplomats: The Making of Australian Foreign Policy, 1901–1949*, Oxford University Press, Melbourne, 1983, pp. 59ff.
- 8 Australian trade representation in the UK and the East, J.A.M. Elder to Senator Russell, president of Board of Trade, 21 May 1919, NAA: A457, AD306/6.
- 9 Bull, 'The Commonwealth of Australia's Overseas Trade Representation', pp. 20–1.

- 10 Australian trade representation in the UK and the East, Walter Leitch and H.Y. Braddon to prime minister, 17 July 1919, NAA: A457, AD306/6.
- 11 M. Ruth Megaw, 'Undiplomatic Channels: Australian Representation in the United States 1918–39', *Historical Studies*, vol. XV (1973), pp. 610–30.
- 12 Cables between commissioner in USA and the Prime Minister, NAA: A457, 360/11/1.
- 13 Sheldon to Hughes, 18 January 1921, *ibid.*
- 14 *Australian Dictionary of Biography*, vol. 11, Melbourne University Press, Melbourne, 1988, pp. 589–90.
- 15 Commissioner-general for Australia in the USA: Herbert Brookes, NAA: A5954, 461/8.
- 16 David McKenzie Dow headed the New York office in the absence of the commissioner or the commissioner-general. Dow, a journalist by profession, held the position of official secretary from 1924 until his retirement in 1938.
- 17 Trade reports—reports by C.H. Voss re trade in France, NAA: A2, 2001/00022 424.
- 18 Australian trade representative in Paris, NAA: A601, 410/11/4.
- 19 Brian Pinkstone, *Global Connections: A History of Exports and the Australian Economy*, Australian Government Publishing Service, Canberra, 1992, tables 13, 14 and 30.
- 20 On the pressure for shipping subsidies by chambers of commerce, see, for example, Board of Trade papers on Eastern trade 1922–1923, NAA: CP703/6, 51.
- 21 These passages draw on the detailed biography of Little by a former trade commissioner, Don Fitch, *The Immortal Part: The Story of Edward Little, Australia's First Trade Commissioner in China*, Australian Scholarly Publishing, Melbourne, 2001, chaps 4 & 5.
- 22 *Ibid.*, pp. 82–93.
- 23 *Ibid.*, pp. 27–8.
- 24 *The Age*, 1 and 2 March 1921.
- 25 Trade commissioner in China, Bulletin no. 4, October 1921, NAA: A432, 1929/733.
- 26 Report—Defence of E.S. Little by Senator T.J.K. Bakhap, 1922, NAA: A11846, 5.
- 27 *Commonwealth Parliamentary Debates (CPD)*, vol. 104, 24 July 1923, p. 1471.
- 28 See Trade Commissioner in China, NAA: A432, 1929/733.
- 29 Fitch, *Immortal Part*, p. 131.
- 30 Report included in Australian trade representation abroad, NAA: A598, E1922/5975.
- 31 No appointment was made to the United Kingdom until after World War II (see chap. 5).
- 32 Report of Conference of Commonwealth and State Ministers, Melbourne, October–November 1921, NAA: CP103/11, 798.
- 33 Conference of Commonwealth and State Ministers, Melbourne, January 1922, *ibid.*
- 34 For example, *The Age*, 24 January 1922.

- 35 Report, E.T. Sheaf, October 1924, NAA: A458, 510/2.
- 36 Ibid.
- 37 S.M. Bruce to R.G. Casey, External Affairs Liaison Officer, London, 12 January 1927, NAA: A1420, 4.

Chapter 3

- 1 The Dried Fruits Control Board contributed £2,500 of the commissioner's salary of £3,000. With an assistant commissioner also appointed, the total cost of the office with administrative expenses would have been about £5,000.
- 2 Information on Haynes derived from Taysom History, vol. 2.
- 3 *The Argus*, 11 October 1929.
- 4 Reported in *The Argus*, 17 January 1930; and Appointment of trade commissioners in the East, general file, NAA: A601, 410/12/3 part 1.
- 5 L.R. Macgregor, *British Imperialism; Memories and Reflections*, Dymor Communications, Millbrook NY, 1968. Macgregor's memoirs are written in expansive detail.
- 6 Ibid., pp. 388ff.
- 7 This was not as successful as might have been expected because the agreement favoured the import of logs over sawn timber. Australian timber merchants generally did not have the capacity to handle unsawn logs. See Canada–Australian trade relations 1934, NAA: AA1974/198, 55.
- 8 Reports from the Australian trade commissioner in Canada, 1930s, NAA: A461, J323/1/7 part 1.
- 9 Macgregor, *British Imperialism*, p. 477.
- 10 Report on Trade between Australia and the Far East by H.W. Gepp, September 1932, NAA: A461, C323/1/5.
- 11 Appointment of trade commissioners in the East, general file, Pts I and II, NAA: A601, 410/12/3.
- 12 Chamber of Manufactures New South Wales to Stewart, 6 December 1933, *ibid.*
- 13 Graziers' Association of New South Wales to Minister for Commerce, 10 January 1935, *ibid.*
- 14 *CPD*, vol. 143, 6 December 1933, p. 5824.
- 15 *Trade Commissioners Act No. 74 of 1933*.
- 16 New Zealand diversion of trade from UK to Australia, NAA: A1667, 277/B/11.
- 17 Australian trade commissioner in New Zealand, *ibid.*
- 18 Australian eastern mission, NAA A981, FAR 5 part 16.
- 19 Report of the Australian eastern mission, 1934, NAA: CP290/1, BUNDLE 1/10.
- 20 Taysom History, vol. 3, part 5.

- 21 Wheat. Eastern trade part 1, NAA: A601, 442/10/1; and Commercial policy—China, NAA: A981, TRAD 190 part 2.
- 22 Melbourne's views on Australia and the East are discussed by G.C. Bolton, 'A.C.V. Melbourne: Prophet without Honour' in Stuart Macintyre and Julian Thomas, *The Discovery of Australian History 1890–1939*, Melbourne University Press, Melbourne, 1995, pp. 111–24.
- 23 Taysom History, vol. 3, part 6.
- 24 D.C.S. Sissons, 'Manchester vs Japan: The Imperial Background of the Australian Trade Diversion Dispute with Japan, 1936', *Australian Outlook*, vol. XXX, 1976, pp. 480–502.
- 25 Longfield Lloyd's correspondence is held at Japan: textile dispute—reports from Australian trade commissioner, Tokyo, March–June 1936, NAA: A1667, 194/B/4/A/2 part 1.
- 26 *CPD*, vol. 150, 22 May 1936, p. 2213.
- 27 Longfield Lloyd to secretary, Department of Commerce, 14 August 1936, Japan: textile dispute—reports from Australia trade commissioner, Tokyo, 4 July to 11 September 1936, NAA: A1667, 194/B/4/A/2 part 2.
- 28 Implications of Japanese southward expansion movement, NAA A601, 402/17/30. For a more detailed discussion that tends to overstate the intelligence role of the trade commissioners, see Wayne Gobert, *The Origins of Australian Diplomatic Intelligence in Asia, 1933–1941*, Strategic and Defence Studies Centre, Research School of Pacific Studies, Australian National University, Canberra, 1992.
- 29 For the visit of the Australian trade ship, see Visit of the Australian trade ship to the NEI 1933, NAA: A981, TRAD 93.
- 30 Commercial relations with Netherlands East Indies, see *ibid.*; and NAA: A981, TRAD 90 and TRAD 92.
- 31 Appointment of trade commissioner for Australia in Egypt, NAA: A601, 410/6/1.
- 32 Trade commissioner Egypt—appointments, NAA: A461, Z323/1/7.
- 33 Hughes to W.R. Hodgson, secretary Department of External Affairs, 22 December 1938, *ibid.*
- 34 'Report of the Australian Trade Delegation to India, Burma and Ceylon, October 1935 – January 1936', CPP 1934–1937, vol. III, pp. 2127–399.
- 35 S.J. Butlin, *War Economy 1939–1942*, Australian War Memorial, Canberra, 1955, pp. 333–5.
- 36 Australia–United States trade agreement 1938, NAA: A461, 442 58 2259 232 V.
- 37 S.J. Butlin and C.B. Schedvin, *War Economy 1942–1945*, Australian War Memorial, Canberra, 1977, pp. 121ff.
- 38 Quoted in Taysom History, vol. 3, part 4, p. 25.

Chapter 4

- 1 Butlin and Schedvin, *War Economy*, pp. 630ff.
- 2 For the sake of clarity it should be added that, although a former trade commissioner (Gordon Bowden) headed the post established in Singapore at the end of 1941, this post was intended to provide whole-of-government representation and was not part of the trade commissioner service.
- 3 Establishment of Export Committee, NAA: A606, R40/4/14 part 1.
- 4 W.J. Scully to Prime Minister Curtin, 19 September 1944, *ibid.*
- 5 Cabinet Agendum 656, 19 September 1944, *ibid.*
- 6 For a much fuller discussion, see J.G. Crawford, *Australian Trade Policy 1942–1966: A Documentary History*, Australian National University Press, Canberra, 1968.
- 7 ‘White Paper on Full Employment in Australia’, 30 May 1945, *CPP*, 1945–1946, vol. XXX, no. 11.
- 8 For further details, see Crawford, *Australian Trade Policy*, chap. 7; and *Commonwealth Year Books*.
- 9 *Overseas Trading* continued publication until 1985, by which time there were many alternative and more-specialised sources of commercial information. In its last years it tended to become an in-house journal.
- 10 Trade missions, NAA: A571, 1947/2816 part 3.
- 11 Keith Le Rossignol, *Official Commercial Representation Abroad: A Handbook for Officers of Developing Countries*, International Trade Centre, Geneva, 1973, p. 4.
- 12 Australian War Memorial: B833, VX171.
- 13 Taysom File, J.J. Murray, Australian Trade Commission.
- 14 Taysom File, E.P. McClintock, Australian Trade Commission.
- 15 A.B. Millard to secretary, Commerce and Agriculture, 11 November 1947, Taysom File, Australian Trade Commission.
- 16 Trade commissioner relationships of officers of Department of Commerce and Agriculture and Department of External Affairs at posts outside Australia, April 1945, NAA: A609, 542/1/3.
- 17 *Ibid.*
- 18 Agreement between Commerce and Agriculture and External Affairs on relations between officers of the two departments outside Australia, 31 October 1947, NAA: A1068, IC47/4/4/1.
- 19 Trade commissioner service, 6 December 1950, NAA: A4933, OCR/22.
- 20 Memorandum to the Minister for Commerce and Agriculture by W.A. Westerman, 24 November 1950, NAA: A3210, 144/5/2 part 3. Westerman refers to a proposal submitted to the Prime Minister by Spender for the transfer of the trade commissioner service to External Affairs, a proposal that was submitted to W.E. Dunk as chairman of the Public Service Board. The indirect evidence suggests that Dunk was not in favour of the transfer.

- 21 A.W. Fadden to J. McEwen, 10 October 1950, *ibid.*
- 22 Memorandum by Casey, 1958, NAA: A1838, 1500/3/2/21. By the late 1950s the matter had become more complicated because immigration officials and representatives of the armed services were also located in many overseas missions.

Chapter 5

- 1 Critchley to head, Australian military mission, Berlin, 23 February 1950, NAA: A9306, 108/1.
- 2 Taysom File, D.R. McPhee, Australian Trade Commission.
- 3 Australian high commission, New Delhi—trade relations with Australia, NAA 5010, 111/2/2 part 1.
- 4 Taysom File, H.W. Goodger, Australian Trade Commission.
- 5 Cabinet submission, 10 September 1954, NAA: A609, 542/9/1.
- 6 Taysom File, K.W. Ward, Australian Trade Commission.
- 7 These paragraphs on A.N. Wootton draw on Taysom History, vol. 3, part 14.
- 8 See Alan Rix, *Coming to Terms: The Politics of Australia's Trade with Japan 1945–57*, Allen and Unwin, Sydney, 1986, pp. 30–3.
- 9 *Ibid.*, p. 55.
- 10 Alan Rix (ed.), *Intermittent Diplomat: The Japan and Batavian Diaries of W. Macmahon Ball*, Melbourne University Press, Melbourne, 1988, p. 195.
- 11 Rix, *Coming to Terms*.
- 12 *Ibid.*, pp. 66–7.
- 13 Taysom History, vol. 3, p. 590.
- 14 Taysom File, B.G. Dawson, memoir of January 1975, Australian Trade Commission.
- 15 See, for example, trade between Australia and Hong Kong, NAA: A609, 555/90/1.
- 16 Taysom File, G.S. Anderson memoir, 25 March 1975, Australian Trade Commission.
- 17 Peter Golding, *Black Jack McEwen: Political Gladiator*, Melbourne University Press, Melbourne 1996, p. 346.
- 18 *Overseas Trading*, vol. 4, no. 7, 1951, p. 1.
- 19 Taysom File, C.J. Carne, Australian Trade Commission.
- 20 Report on the trade mission to USA and Canada, 26 May 1959, NAA: A1301, 835/8/40.
- 21 There is a possibility that the diplomatic posts at Rio de Janeiro and Santiago were established to help garner support among Latin American countries for H.V. Evatt's candidacy for the presidency of the United Nations General Assembly.
- 22 *Overseas Trading*, vol. 5, no. 4, 1952, pp. 3–5, 7.
- 23 Taysom File, L.C. Steele, Australian Trade Commission.
- 24 Taysom File, G.R.B. Patterson, Australian Trade Commission.

- 25 G.R.B. Patterson personal file, NAA: A2916, 33/15/1 part 2.
- 26 *Overseas Trading*, vol. 2, no. 9, 1949.
- 27 *Overseas Trading*, vol. 1, no. 8, 1948.
- 28 Taysom File, W.S. Lowe, Australian Trade Commission.

Chapter 6

- 1 The speech was presented at General Motors Holden Ltd, Woodville, South Australia, on 5 November 1955. It can be found in NAA: A5954, 96/3.
- 2 The background to the administrative change is considered in R.P. Deans, *The Establishment of the Department of Trade: a case study in administrative reorganization*, Australian National University, Canberra, 1963.
- 3 McEwen to Menzies, 3 January 1956, NAA: A463, 1957/2193 part 1.
- 4 McEwen also asked that Jim Moroney head the marketing division in the Department of Trade. In the event, Moroney was appointed to head the Department of Primary Industry.
- 5 Golding, *Black Jack McEwen*, chap. 6.
- 6 McEwen to Menzies, 10 January 1956, NAA: A463, 1957/2193 part 1.
- 7 J.G. Crawford to A.H. Tange, secretary, Department of External Affairs, 6 February 1959, NAA: A1838, 1270/27/8 part 1.
- 8 Ibid.
- 9 W.R. Crocker to Tange, 30 January 1959, *ibid.* See also W.R. Crocker, *Australian Ambassador: international relations at first hand*, Melbourne University Press, Melbourne, 1971.
- 10 Crawford to Tange, 6 February 1959, NAA: A1838, 1270/27/8 part 1.
- 11 Taysom File, H.K.H. Cook, Australian Trade Commission.
- 12 Memo, P.R. Searcy to secretary, Department of Trade, 27 April 1959, NAA: A3120, 51/1/3 part 2.
- 13 Sir Edwin McCarthy had been secretary, Department of Commerce and Agriculture, and controller general of food before his appointment to Australia House in 1950, and had been largely responsible for the negotiation of the wartime commodity agreements with the United Kingdom. Subsequently, he served as ambassador to the Netherlands, Belgium and the EEC.
- 14 Memo, G. Warwick Smith to acting official secretary, Australia House, 20 January 1960, NAA: A3120, 51/1/3 part 2.
- 15 Note on Australia's trade with continental Europe, 31 August 1955, NAA: A1209, 1957/5118.
- 16 Trade with continental Europe, 1 May 1956, *ibid.*
- 17 Taysom File, W.R. Carney, Australian Trade Commission.

- 18 The ambassador to the USSR was accredited to Sweden in 1964 but an Australian embassy was not established in Stockholm until 1966.
- 19 McEwen to R.G. Casey, 25 November 1959, NAA: A1838, 1270/27/8 part 1. See also Casey to McEwen, 10 July 1959, *ibid.*
- 20 Report of the Australian trade mission to Poland and Czechoslovakia, March 1959, NAA: A1838, 820/1/3.
- 21 Taysom File, W.R. Carney, Australian Trade Commission.
- 22 Taysom File, H.C. Menzies, Australian Trade Commission.
- 23 Taysom File, D.R. McPhee, Australian Trade Commission.
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- 15 Taysom to McKernan, 18 July 1963, NAA: A3120, 010/001/003 part 1.
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- 17 McKernan to Taysom, 11 July 1963, NAA: A3120, 010/001/003 part 1.
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- 20 A small trade delegation was sent to Israel in March–April 1963, led by Baron Snider, a member of the Victorian parliament and a management consultant. There was no immediate intention to establish a trade post in Israel, and the mission was diplomatic as well as trade-oriented—an acknowledgement of the pressure that had been building within Australia to expand cultural relations with Israel as well as Australia–Israel trade. Trade with Israel was supported from Athens from 1962 until the establishment of a trade post in Tel Aviv in 1975.
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- 36 Prospects of increased Australian trade with the Soviet Union, 20 February 1962, NAA: A1838, 816/1/1 part 1.
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- 38 Trade agreements expressed in similar terms were also negotiated with Poland (1966), Bulgaria (1966), Romania (1967) and Czechoslovakia (1972).
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- 43 Visit to China by H.C. Menzies, 28 May 1956, NAA: A1838, 3107/38/5 part 1.
- 44 Australian Wheat Board, press release dated 6 February 1961.
- 45 Wheat sales to China, memo by Patrick Shaw, 22 March 1963, NAA: A1838, 3107/38/5 part 3.
- 46 Review of Hong Kong post, 14 September 1962, NAA: A1838, 3107/38/5 part 2.

- 47 A tentative foray into Taiwan was also made at this time. A trade correspondent was appointed in Taipei in 1960 (E.J.N. Mycock of west Taipei) following reports by the trade commissioner in Manila that there were opportunities for Australian exports of wheat, rice, dairy products, hides and tanning material and other goods to Taiwan. The Democratic Republic of China rapidly developed as an important market in the 1960s, so much so that, when an Australian embassy was established in Taipei in 1967, a trade post was opened by John Allgrove soon afterwards.
- 48 Review of Tour—New Delhi, October 1961–October 1962, A.J. Black, NAA: A3120, 61/1/3 part 2.
- 49 Policy for the post—New Delhi, 20 January 1966, *ibid.*
- 50 Bombay was reopened at a senior level in 1993 after India embarked on a program of economic liberalisation; Calcutta was not reopened at a senior level.
- 51 Colombo reopened at a senior level in 1997.
- 52 In the 1990s Karachi was reduced in status to an information office.
- 53 Kuala Lumpur—review of work of post, 1957–62, NAA: A3120, 46/33/4 part 1.
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- 57 J.T. Smith to secretary, Trade and Industry, 1 March 1967, NAA: A1313, 81/4382.
- 58 Trade representation Los Angeles, NAA: A3120, 052/001/003 part 1.
- 59 Ambassador, Washington, to secretary, External Affairs (cable), 19 October 1963, NAA: A1838, 1343/9.

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- 2 *Overseas Trading*, vol. 21, no. 17, 1969, p. 400.
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- 4 Outline notes [on the relationship between Australia and Japan], June 1970, NAA: A9564, 228/5/1/4/2 part 1.
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- 9 Alan Reid, *The Gorton Experiment*, Shakespeare Head Press, Sydney, 1971, p. 197.
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- 18 See NAA: A3211, 1965/5011 part 2.
- 19 Brussels: end of posting report, 16 November 1973, NAA: A1313, 81/9496 part 1.
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- 29 *Ibid.*, p. 1925.
- 30 In addition to Scott, members were David Asimus, chairman of the Australian Wool Corporation; Peter Cottrell, managing director of Email Ltd and chair of EFIC; Bill Ferris, group general manager of Barlow Marine Ltd; Kevan Gosper, chairman and chief executive of Shell Australia Ltd; and Nicholas Whitlam, managing director of the State Bank of New South Wales. A seventh member drawn from the trade union movement, Nixon Apple, was identified subsequently.
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