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## Chalmers Urged to Follow Keating's Trade Reforms Amid Trump Tariffs

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Australian Treasurer Jim Chalmers faces significant economic challenges as United States President Donald Trump implements steep tariff increases in 2025. These protectionist measures mark a departure from the global trade liberalization trends seen over previous decades. The new US tariffs have risen to levels not seen since the 1930s, with the stated aim of addressing America's trade imbalance.

In the 1980s, former Australian Treasurer Paul Keating undertook major economic reforms, including dismantling Australia's high tariff barriers. At that time, Australia faced a trade

deficit estimated at between 3 and 4 percent of gross domestic product (GDP). Keating warned of Australia becoming a “banana republic” during a 1986 radio interview amid a sharp 21 percent fall in the Australian dollar over three months. His response was to reduce tariffs substantially—for example, motor vehicle tariffs were lowered from 79 percent to 15 percent, and textiles tariffs dropped from 146 percent to 5 percent by 1988. These reforms helped open the Australian economy to global competition, boosting long-term competitiveness despite causing initial losses in manufacturing sectors.

By contrast, the recent US tariff increases have raised average tariffs from approximately 2.5 percent to 19 percent, generating an estimated USD 30 billion monthly in tariff revenue. Critics argue that such tariffs place additional costs on American consumers and do not necessarily revive manufacturing employment due to increasing automation and other structural factors.

For Australia, the new tariffs include levies of around 10 percent on key exports such as beef and wine. These industries rely heavily on the US, which accounts for a significant share of Australia's trade, valued at about USD 38 billion annually. The tariffs therefore pose risks to Australian exporters and could contribute to economic uncertainty.

Domestically, the Labor government under Treasurer Chalmers faces criticism over sluggish productivity growth and concerns about declining living standards despite Australia's favorable trade terms. To address these challenges, Chalmers has announced plans for a reform roundtable aimed at boosting productivity and economic resilience. However, some analysts express skepticism about whether the government will pursue reforms as decisive as those under Keating, given Labor's generally cautious economic approach.

Meanwhile, the Reserve Bank of Australia has issued warnings about potential disruptions to exports amid global trade tensions, especially given China's role as Australia's largest export market, accounting for approximately 32 percent of exports in the 2023–24 fiscal year.