

## Restoring Fair Trade

### Introduction

Australia is a trade orientated economy that has prospered over the last 30 years by pursuing an open trade agenda. Mismanagement of open trade can easily lead to unintended consequences such as dumping and exclusion of domestic manufacturers from domestic markets. This undermines fairness and limits growth and development in domestic manufacturing.

Australian manufacturers have many advantages over international competitors in a global trading environment including a highly skilled workforce, abundant sources of energy, world-class research and innovation and stable governance.

These advantages are easily undermined when our trading stance fails to capitalise upon them, or worse, allows unintended or perverse consequences of our trading arrangements to deliver unfair advantages to our competitors.

Manufacturing Australia is seeking fair outcomes for trade exposed industries which will operate within World Trade Organisation guidelines and allow Australia's manufacturing sector to grow.

### MA's position

Manufacturing Australia has identified three priority areas for action by Federal and State Governments:

- **Overhaul coastal shipping** regulations to ensure Australian manufacturers are not disadvantaged.
- **Strengthen anti-dumping powers** to stop predatory dumping and circumvention of dumping duties by foreign importers, address currency manipulation and provide redress against subsidies to foreign manufacturers.
- Strengthen **industry participation schemes** to remove "gaming" and ensure they meet their intended aim of boosting Australian involvement in major projects.

## **Coastal Shipping**

Managing the cost of shipping and transport is fundamental to global competitiveness in manufacturing. Presently, Australian manufacturers that depend on coastal shipping to move goods around the country are unfairly disadvantaged against international competitors.

There is a growing disparity between the cost of shipping domestically in Australia and the cost of shipping to Australia from overseas.

Importers can now access freight rates that are substantially less than those available to Australian manufacturers. For example, it costs approximately 40% more to ship bulk commodity goods such as raw sugar between Queensland and Melbourne than it does to ship comparable goods from Thailand to Melbourne. Manufacturing Australia believes the Australian Government should launch a Productivity Commission inquiry into the overall impact of current shipping regulations on Australian industry. The inquiry should make recommendations regarding:

- Removing any unnecessary or deemed unfair shipping burdens to assist growth in local manufacturing;
- Opening up the Australian coast to international container vessels and bulk ships; and,
- Pay structures for international crews in Australia, who would normally be paid wages linked to International Transport Workers Federation market rates of pay.

## **Anti-Dumping**

Australia's anti-dumping regime has been neglected for years. The system was characterised by a philosophy that Australia benefitted by having the lowest cost of imported goods, regardless of the method used to achieve that. The remedy process delivered unfair outcomes for Australian manufacturers as it had not kept pace with developments in the Asian region. The regime was inconsistent with other comparable countries.

Recent measures introduced by the Australian Government have begun a welcome reform of Australia's anti-dumping regime. However, several outstanding areas of reform continue to tip the balance of fairness in favour of importers and disadvantage Australian manufacturers.

The Australian Government must stay the course on strengthening the nation's anti-dumping regime by implementing key reforms in partnership with industry. These include:

- Making provision to address currency manipulation by trading competitors;
- Providing fair treatment under the "lesser duty rule" and clarifying the determination of non-injurious price;
- Ensuring ascertained export prices are determined on the basis of verified data from the investigation period only;
- Revising the regime's interpretation and approach to economies in transition;
- Strengthening enforcement and anti-circumvention measures including a CE stamp of approval and certification;
- Ensuring the scope for exemptions from dumping duties is narrowly defined (e.g. proven inability of domestic industry to manufacture the required product type or grade);
- Using surrogate values where appropriate and improving methodology in cases of market situations;
- Improving the transparency and effectiveness of the Electronic Public Register; and,
- Upgrading the skills and resources in Customs.

## **Industry Participation**

Industry participation schemes exist to ensure major publicly and privately funded projects deliver flow-on benefits to local industry and spread the benefits of major investments to a broad spectrum of Australian communities. Through these schemes, local manufacturers and other domestic suppliers are encouraged to reap the benefits of major projects taking place in Australia.

Most nations around the world have some form of industry participation scheme, ranging from incentives and concessions for using local suppliers, through to blanket requirements that major projects employ local suppliers in order to obtain approval.

In Australia, an unintended consequence of the way industry participation schemes are structured is that they are easily “gamed”. Operators of major projects can meet their local industry participation requirements or quotas through non-tradable goods such as catering or housing, which would not otherwise be sourced from overseas. This often reduces or removes altogether the requirement to use Australian suppliers for tradable goods, such as manufactured products and raw materials.

Some project proponents have also been able to “game” government programs that provide tariff concessions for imported capital equipment, by bundling components together into a single item, when in fact at least some of the components in question are capable of being manufactured by domestic industry.

The rules surrounding industry participation schemes should be reformed to prevent “gaming” and improve their effectiveness. Key reforms should include:

- Notification of projects at the early planning stage to allow gear up for production and project management capabilities;
- De-bundling projects to provide greater opportunity for local products;
- Introducing appeals processes for local suppliers;
- Funding the Industry Capability Network to ensure databases are comprehensive and current; and,
- Reform of schemes such as the Enhanced Project By-law Scheme (EPBS) and Tariff Concession Scheme (TCS) to prevent “gaming” of the system.