

Ensuring a diverse economy - rethinking industry policy

Where are we?

Up until World War II, the economy of modern Australia was based on agriculture and mineral exports, using abundant natural resources taken from Aboriginal and Torres Strait Islander peoples. The Great Depression and the war crisis drove the decision to industrialise Australia, but this required a conscious political decision and sustained support by both Labor and conservative parties.

After the global economic crisis of the mid-1970s, global banks and corporations became more powerful influences in both the Coalition and the Labor parties, and opposed industry protection.

In the period 1986-2005, tariff protection for almost all sectors was unilaterally reduced to a residual 5 per cent. Tariffs on steel, clothing and automotive imports were replaced with alternative government support for investment in new technology and training. All industry had to survive as part of global networks, as the domestic market was opened up.

Reflecting the dominant global corporate view that Australian manufacturing was finished, the Abbott government in late 2013 withdrew support. The car industry, the biggest single driver of industry development, is now being closed down. A series of Free Trade Agreements in the last 15 years has accelerated the demise of industry policy. As well, the recent mining boom and the associated high Australian dollar strangled many businesses through cheaper imports.

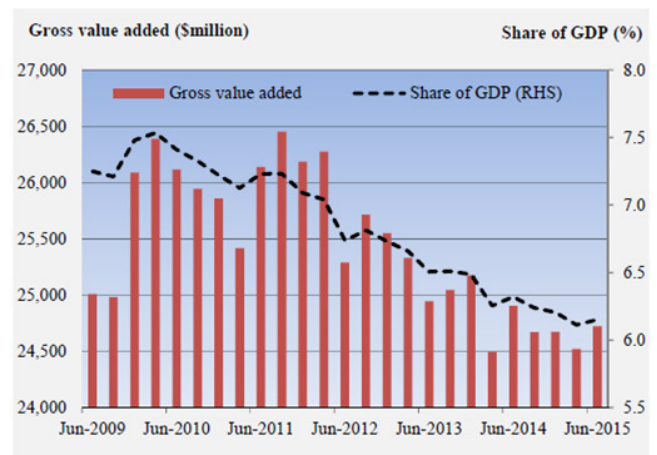
This has effectively finished the decades-long bi-partisan support for policies aimed at maintaining and consolidating a diversified, advanced economic base for Australia.

Jobs in non-manufacturing industries are more exposed to commodity price and other international shocks and are less labour intensive, leading to fewer well-paying jobs. Australia will miss out on



whole new industries and sustainable, well paid and highly skilled jobs.

Table 1: Absolute and Relative Decline of Australian Manufacturing



What should be done?

Domestic manufacturing needs tariff protection to offset the much lower labour cost of off-shore manufacturing.

The 'level playing field' should be purely about raw material supplies and investment in high-end capital equipment. This blocks the 'race to the bottom', here and in poor countries.

In order to retain a share in global manufacturing, we could:

- Ensure a well-resourced plan to transition as much of the auto manufacturing supply chain to new products and markets, and to lift it up in terms of productivity, skills and technology.
- Reform anti-dumping systems so they provide real protection against unfair trade practises.
- Implement a real value-for-money government procurement policy that considers the full economic, social and environmental benefits of buying local, as well as the up-front costs.
- Properly resource the enforcement of Australian standards for imported materials.
- Reform trade agreements to ensure quality jobs and industries are created.

In competing internationally, Australian manufacturing faces significant hurdles:

- Skill level of workers and especially of management in small and medium enterprises
- Lack of collaboration between industry and university and other researchers
- Lack of finance, and support in accessing new markets and global supply chains
- 80% of Australian manufacturers are still classified as low tech, and
- Lack of commercialisation support, especially for small innovative manufacturers.

An entirely new policy and programs, jointly developed with business and unions, are needed:

- A public investment corporation to promote advanced manufacturing investment

- Public information services for businesses seeking to expand into new products and markets
- Well-resourced public TAFE / VET to support both workers and management skills
- Publicly supported collaborative industry/research centres where businesses, universities and other research organisations can jointly work on technological innovation
- Publicly supported new innovation commercialisation agency
- World class infrastructure, such as a true National Broadband Network.

Questions for Discussion

1. **What role do you think advanced manufacturing and associated services have in Australia's future economy?**
2. **What role can government play in promoting a broad-based advanced economy?**
3. **How much tariff protection does Australian-based industry need?**
4. **How can trade agreements help create quality jobs and industries?**
5. **How can we better persuade the public that a narrow economic base threatens our long term prosperity?**
6. **How can we win the argument that wage cutting isn't the solution to a hollowing out of Australian industry?**
7. **Who are the best groups to work with further to develop a new approach to industry policy?**

**Send your group or individual ideas and feedback to
contact@commonaction.org.au**

Common Action network: Aboriginal Rights Coalition, Australian Fair Trade & Investment Network, Australian Manufacturing Workers Union, Community & Public Sector Union - PSU Group, Construction Forestry Mining & Energy Union, Evatt Foundation, Federation of Italian Migrant Workers & Families, f-collective, Greens NSW, Maritime Union of Australia Sydney Branch, Migrante Australia, National Tertiary Education Union, NSW Nurses & Midwives Association, NSW ALP Socialist Left, SEARCH Foundation. <http://www.commonaction.org.au>. February 2017.