

TRADE AND INDUSTRY DEVELOPMENT POLICY
ACTU Congress September 1995

1. INTRODUCTION

- 1.1 Consistent with ACTU Economic Policy, Congress believes that an effective trade and industry development policy is an essential element of a sustainable high growth strategy.
- 1.2 By facilitating import replacement, export expansion and industry modernisation Australia's trade and industry development policy, along with an appropriate national savings strategy can help lift the balance of payments constraint to growth. This in turn allows much stronger employment growth than would otherwise be possible.
- 1.3 Congress notes that for Australia to maintain and improve living standards relative to other developed countries the Australian economy will need to become more export oriented for high value added products and services to supplement earnings from commodity exports. Service industry development in areas such as tourism, banking and computer software is of importance alongside of manufacturing industry. The outcome of the process of change must be a more competitive economy for both the export and domestic markets.
- 1.4 Congress believes that along with the manufacturing sector, it is critical that emphasis must now be placed on the service sector for planning industry development. The potential for the service sector to contribute to import replacement and export performance is immense.
- 1.5 The public sector has a particularly important role to play in making our trade and industry policies work. For example enterprises such as Telstra are major contributors to import replacement, export expansion and industry modernisation. Congress calls on Government to support and enhance the initiatives of such enterprises, particularly in terms of R&D, product development and winning international business opportunities.
- 1.6 Congress calls on the Federal Government to establish appropriate national tripartite structures in the service sector including public enterprises to draw up strategies and plans to enhance the import replacement and export performance of the service sector.
- 1.7 Australia must attach greater importance and apply more effort and resources to achieving;
 - (i) An increase in the value added to resource products in areas such as natural fibres, minerals and timber;
 - (ii) An ongoing strengthening of heartland manufacturing in areas such as appliances, machinery, furniture and engineering products;
 - (iii) Benefits from trading-off access to the Australian market for industrial development in industries where we can be internationally competitive; and
 - (iv) A change in the attitudes of industry from an "opportunistic" approach to exporting to one which takes a longer term approach.
- 1.8 It is recognised by the ACTU that Australian industries will need to undergo major change due to a number of domestic and international factors. The process of change is complex and difficult in both economic and social terms.
- 1.9 To meet the challenge of change a comprehensive industry development and trade strategy must address the issues of:
 - (i) building on the natural advantages and traditional strengths of our mining and agricultural

industries;

- (ii) realising the growth potential of our manufacturing and service industries; and
- (iii) enhancing the capacity of enterprises to plan and implement technological change and to become more innovative in all aspects of enterprise development.

- 1.10 Success in addressing these issues, along with measures for building a more favourable environment to develop world class industries and enterprises will help sustain a high growth strategy that is the foundation of our full employment policy. However, market forces alone will not produce the outcomes required. Unions will continue to work to have long term planning objectives established with clear priorities, specific targets and flexible adjustments for change whilst taking market forces into account. Further, unions will both influence and promote implementation of strategies on economic development through participation on the regional economic development organisations being established as an initiative of the Working Nation White Paper.
- 1.11 Such adjustment is essential for the future of Australian industry if growth is to be maximised in the longer term. The necessary adjustments and the attainment of the objective of full employment will be more readily secured if policies facilitating change are integrated with general economic policies via accepted planning mechanisms.
- 1.12 Congress recognises the importance of foreign investment in Australia where it is directed at developing world class industries and enterprises. However, such investment is not welcome where it is for speculative purposes, where it inhibits improvements in skill formation, work organisation, industrial relations and export development, if it includes franchising restrictions, or does not make a positive contribution to the national well-being or meet its social obligations to the Australian working people.
- 1.13 Congress expresses concern over the moves towards complete vertical integration of certain industries by some overseas investors. Such action has the potential for adverse long term effects on the development of industries such as tourism and meat and the balance of payments.
- 1.14 Congress notes the numbers of strategies which have been implemented at a Federal level to facilitate growth in manufacturing and other industries on a sectoral as well as a regional basis and urges close co-operation and co-ordination of effort by all organisations to ensure maximum effort is channelled into obtaining real outcomes.

2. WORLD COMPETITIVE CONDITIONS

- 2.1 Congress recognises that the stage has been reached where the world market is now predominant. National markets, particularly in relatively small countries such as Australia, can no longer be viable as the basis for long term industry development. Australia must therefore adjust as quickly as possible to achieve a higher level of ability to compete in the new global economy.
- 2.2 In a context of rapid technological and social change such as the present, with increasing internationalisation of the world economy and the associated heightening of competitive pressures, it is essential to recognise the inherent interdependence between:
- (i) new investment and new technology;
 - (ii) work organisation and industrial democracy;
 - (iii) the skill formation process, encompassing formal and informal training and retraining; and
 - (iv) industrial relations structures and processes.
- 2.3 Of these four components related to adjustment, skill formation is the major issue. Education and training links these four components at the national, industry and enterprise level. If these linkages are ignored in the process of adjusting to change new investment will not deliver maximum productivity and the Australian economy will fall short of its potential.

- 2.4 Congress recognises that for Australian industry to become more competitive and export oriented there will need to be ongoing action by governments, manufacturers and unions over an extended period of time. To secure an improved level of performance will require:
- (i) Higher levels of investment in new technology and research and development programs.
 - (ii) A more effective focus upon developing export markets for high value added products particularly in the larger economies such as Asia, Europe, North America. This will require attention to support action to ensure that the new emerging trade blocs do not stifle world trade in manufactured goods.
 - (iii) A recognition that competition is not simply on price factors but includes design, quality, features, service and delivery.
 - (iv) An overall improvement in the competency of management in Australia and the introduction of more creative and flatter management structures.
 - (v) The adoption of modern production processes which allow for the optimum contribution of employee skills and experience, which emphasise quality production and which maximise the efficiency of the production system.
 - (vi) The establishment of effective support networks between industry, researchers, trainers, governments and unions, particularly on a regional basis, to achieve a greater contribution towards improving the production process and product competitiveness.
 - (vii) The development of work organisation, training and skill development arrangements which improve the quality of the skills available to industry and provide career structures for union members.
 - (viii) The introduction of industrial democracy practices which encourage the involvement of workers in their enterprises in a manner which is consistent with ACTU policy so as to ensure that their experience and knowledge are utilised to the best extent possible.
 - (ix) The operation of a general macro economic environment which provides an economic setting conducive to an expansion of industry. Key features of such policies are realistic exchange rates, competitive interest rates and a tax system which is equitable between industry sectors.
- 2.5 Employment training and retraining policies are part of essential labour resource planning which in turn must be integrated into the national economic planning processes.
- 2.6 Congress notes that women workers are concentrated in a narrow range of jobs in a small number of industries and recognises the need for the development of strategies for integrating consideration of women's employment issues into general industry policy initiatives undertaken by unions and government.
- 2.7 Effective co-ordination of Federal and State Government activities covering economic planning, industry and trade is essential.

3. INDUSTRY DEVELOPMENT MECHANISMS

- 3.1 Congress supports as a priority participation in planning structures that determine the way in which the national economy will generate growth on a sustained basis.
- 3.2 Fundamental features of this planning process are the operation of an effective tripartite Australian Manufacturing Council.
- (i) With a full time senior management group which reflects a depth of experience in manufacturing industry, an understanding of government and the union movement and proven expertise in economic and social development.
 - (ii) An enhanced secretariat with additional resources.

- (iii) Closer co-ordination with AusIndustry, Austrade and the National Network of Industry Supply offices.
- (iv) Connections with NBEET, CSIRO and the (DIR) "Workshop Resource Centre" national apparatus.
- (v) Direct connections into EPAC and its macro economic role.
- (vi) The apparatus to be at arms length from the department (DITAC) but able to call upon and get department inputs and assistance in a manner similar to NBEET and its councils.

3.3 AusIndustry, with its programs designed to upgrade industry at the enterprise level, provides an important opportunity for trade union input and participation. Through the State-Commonwealth linkages AusIndustry also can facilitate a national approach to the development and implementation of enterprise improvement programs. Similarly State-Commonwealth co-operation is necessary to achieve significant benefits from a National Industry Supplies Office (NISO).

4. SECTORAL APPROACH

4.1 The ACTU supports a sectoral approach being taken to develop a competitive export oriented manufacturing industry in Australia. This is particularly necessary due to the impact of past policies which had led to an inward-looking industry and the inhibiting influence and restraint of overseas ownership on a large proportion of Australia's most significant manufacturing enterprises.

4.2 A sectoral approach must take account of the potential for higher levels of productive work to be undertaken in Australian in particular industry areas. The opportunities for both import replacement and export development must each be considered, however it must be acknowledged that industries which are overly reliant on the domestic market are unlikely to be viable in the medium to long term.

4.3 In the implementation of a sectoral approach the following matters should be included :

- (i) There must be tripartite consideration of the specific policies which need to be adopted.
- (ii) There will be a need for a range of specific policy programs to be adopted which relate to the particular circumstances of industry sectors.
- (iii) Whilst each industry sector nominated for special attention will need to be viable in the medium to long term the initial policy approach must include consideration of financial and other support to enable its full potential to be realised.
- (iv) Assistance which is provided and general policies in this area should be subject to reasonable performance targets.
- (v) Government purchasing must be considered in the context of a sectoral approach to provide the market base for the development of particular industries and for leverage in regard to firms which may not otherwise be prepared to be involved.

4.4 The ACTU expects that future Governments should give more substantial attention to a sectoral approach to industry development and build upon the initiatives already taken in this area.

5. REGIONAL DEVELOPMENT

5.1 The application of effective national industry development strategies needs to take regional factors into account to maximise the impact at an aggregate level.

5.2 Regional development strategies need to encompass an integration of policy and assistance mechanisms.

- (i) Regional studies of industry profiles in the region so that strategy is practical with achievable objectives.
- (ii) Skill availability, and training requirements related to the industries associated with involvement of training institutes.
- (iii) Co-ordination of AusIndustry and Austrade initiatives to effectively provide enterprise improvement programs and support for export development.
- (iv) Local trade union involvement particularly organisers and delegates.
- (v) Promotion and development of enterprise networks and clusters.

5.3 Congress calls on Federal and State Governments to make available resources to regional Labour Councils and Unions so that such organisations and their membership can participate fully in tripartite structures which aim to develop regional approaches to employment generation.

- 5.4 In regions adversely affected by reductions in tariffs, Congress calls on the Federal Government to provide financial assistance for the identification and development of new economic opportunities which are in line with the natural advantage and expertise of the area.
- 5.5 Congress supports the regional development program of the Working Nation White Paper which requires the involvement of unions and regional communities.

6. ASSISTANCE TO INDUSTRY

- 6.1 Congress notes the significant changes occurring to the world trading system, including the conclusion of the Uruguay Round, the establishment of the World Trade Organisation, the development of APEC and the Indian Ocean initiatives. Despite the significance of these changes most countries will continue to utilise the tax system, purchasing policy and other devices to promote their own enterprises and industries as well as attracting foreign investment.

The international trend for innovative arrangements to assist small and medium size enterprises is also likely to accelerate. It is also the case that in some regions the recent GATT round had little impact on tariff levels in manufacturing. In taking these factors into account Congress has concluded that:

- (i) The new rules governing world trade still provides the basis for the continuing implementation of strategic trade and industry development initiatives by Australia.
- (ii) The restructuring of industry brought about by tariff reductions in Australia is continuing. Whilst such changes are occurring it is imperative that industry be given time to adjust, that workers who are affected are given assistance in areas such as retraining, finding new employment and off-setting costs of relocation.
- (iii) No further unilateral tariff reductions by Australia should be undertaken. It is also necessary for governments to ensure that assistance to industry is not reduced below that of comparable countries.
- (iv) Temporary increases in tariffs to raise revenue during periods when Australia has a high current account deficit is an appropriate macro economic policy response.

- 6.2 Congress considers that changes to protection in the future must be determined within planning mechanisms in which unions and business will play key roles.

- 6.3 Congress requests the Commonwealth Government to keep under review all trade concessions to developing countries to ensure that these concessions lead to improved labour standards and genuine industry development in those countries which benefit. The ACTU will continue to strongly support a link between trade and workers rights (ie the social clause) to be part of the international trade agenda.

- 6.4 Congress call upon the Structural Adjustment Committee of Federal Cabinet to establish a mechanism to enable unions, employers and Government to identify significant development projects (including Government purchases) both in Australia and overseas and to establish tripartite committees to develop strategies on a case by case basis for increasing the level of involvement of Australian goods and services.

- 6.5 In providing assistance to Australian enterprises competing for involvement in international projects the level of support from the Australian Government should take into account the export enhancement schemes being proposed by other countries and the competitiveness of Australian manufacturers.

7. PUBLIC SECTOR RELATIONSHIPS

- 7.1 Congress recognises the crucial role which an effective, efficient and equitable public sector must play in supporting the broad strategy outlined in Australia Reconstructed in relation to industry policy. In particular, Congress notes that:

- (i) Growth of Australian private sector development is closely related to public sector investment

in infrastructure and services.

- (ii) Continued public sector improvements will have both a positive direct and indirect impact on employment growth.
- (iii) Public sector activity must be undertaken efficiently and not impose costs on industry which are in excess of those from comparable economies. In those areas where Australia has natural advantages in areas of public sector activity, cost levels should reflect those advantages.
- (iv) There is no evidence to suggest that the size of the public sector inhibits private sector growth. On the contrary, the more successful European economies have been characterised by larger public sectors which play a direct interventionist role in assisting economic restructuring.
- (v) Public sector investment, public sector enterprises and major community services are necessary to meet both efficiency and social goals.
- (vi) Economic activity in the public and private sectors is interdependent. Targeted and efficient public programs encourage and support business growth and provides important services to industry as well as to the community.
- (vii) The provision of infrastructure which underpins industry development and economic growth and which meets the range of community needs, is dependent on an adequate and equitable revenue base.

7.2 Congress recognises that the Public Sector has an important role in facilitating Industry Development. This should be achieved through action by government at all levels in areas such as the promotion of Australian industry through Government purchasing and through public investment in infrastructure projects which are linked to industry development.

7.3 Effective action must be taken by Governments to ensure that government purchasing offers opportunity for active encouragement and development of new and existing industry in Australia. Action taken should ensure that reasonable preference be given to manufacturing industry in Australia. Such action should be integrated with Industry Development policy and take account of the potential of industry in Australia to operate competitively in the domestic and international markets. In part the action should include consideration of the introduction of legislation in the nature of a "Buy Australian" Act.

8. DUMPING

8.1 Congress records its total opposition to the dumping of foreign made goods in Australia. Import prices must be fair and consistent with the real costs involved in production and marketing and not contrived or dumped prices.

8.2 Where dumping is established decisive action must be taken against those responsible. Congress regards actions by the Anti Dumping Authority which have failed to take effective and enforceable action against those involved in dumping as unacceptable.

8.3 Congress seeks that future anti-dumping action by the Australian Government should :

- (i) Be undertaken more expeditiously than at present.
- (ii) Result in a consistent pattern of safeguarding Australian industry from unfair damage caused by those involved in dumping products.
- (iii) Impose appropriate penalties which will dissuade those involved in dumping from re-offending.
- (iv) Be undertaken by a Government body organised in such a way to expedite the hearing of claims and reduce the cost to the complainant.

9. APEC

9.1 Congress welcomes the potential for increased economic and social development in the region presented by the possibility of the expansion of trade under international trade agreements like GATT and APEC. It notes that APEC Bogor declaration of November 1994 commits member countries to full implementation of the Uruguay Round of GATT, and to further liberalisation of trade and investment in the region. However, Congress notes that:

- (i) In the absence of certain social and economic safeguards, there is no guarantee that working people and their families, and low income people generally, will benefit from trade liberalisation. The ICFTU has noted that the "trickle down" theory of trade policy does not work, and that, in the absence of safeguards, increased international competition could drive down wages and living standards as countries compete for investment from transnational corporations which will be able to move investment more freely.
- (ii) Trade agreements are complex and their provisions are often not subject to public discussion or parliamentary debate.
- (iii) Unions and community organisations have expressed concern about the full implications for national sovereignty and domestic economic and social policies of some aspects of the Uruguay Round of GATT, and APEC. For example, some Australian industry policy practices could be challenged as non tariff barriers or restrictions on trade related investment under the UR provisions. Some public ownership and regulatory provisions for social and economic infrastructure could be challenged under the trade in services provisions. The optional government procurement provisions, which Australia has not yet signed, could result in challenges to Australian government purchasing policies, adopted in 1994. Australia should not ratify these provisions.

9.2 Accordingly, Congress supports the following framework for APEC negotiations:

- (i) full publication and public debate of both the possible costs and benefits of APEC;
- (ii) opening of APEC processes to include representatives of unions and other non-government organisations;
- (iii) ratification of any APEC agreements to be subject to democratic parliamentary processes and full public debate;
- (iv) inclusion of UN standards on human rights and labour rights as a social clause in the APEC agreement;
- (v) inclusion of UN environmental standards in the APEC agreement. The Bogor declaration already makes reference to the need for environmentally sustainable development, but minimum standards need to be established;
- (vi) given the wide discrepancies in levels of economic development amongst APEC countries, a fund should be established similar to the European Community Adjustment Fund, which is available to compensate for unemployment and other adjustment effects resulting from APEC agreements. Such a fund could also be used to assist in upward harmonisation of environmental, health and safety and other relevant standards; and
- (vii) APEC provisions should ensure that governments retain policy control and national sovereignty in areas like industry development, investment policy, provision of essential services, and regulation in the public interest. Abandoning these policies to market forces could be disastrous for individual countries and for regional development.