

Senate Economics References Committee
ANSWERS TO QUESTIONS ON NOTICE
Department of Industry, Science, Energy and Resources
Inquiry into the Australian Manufacturing Industry
11 November 2021

AGENCY/DEPARTMENT: DEPARTMENT OF INDUSTRY, SCIENCE, ENERGY AND RESOURCES

TOPIC: Risks to Australia's sovereign capability from tariff reductions

REFERENCE: Written

QUESTION No.: 5

Your submission has noted that “tariffs can be effective where Australia is looking to develop a sovereign capability, protect against global shocks, and demonstrate continued support of industry in the face of tariffs and subsidies applied in competitive markets”. Several submissions have raised concerns with the lack of sovereign capability in key strategic industries, and have raised issues with dumping, and, with politically charged tariff impositions, such as those imposed recently by China on industries like wine, barley, timber, and coal. On the other hand, we’ve heard from the Productivity Commission that Australia should continue to pursue unilateral tariff reductions. Do you think that there are risks to such an approach and do we need to apply a sovereign risk lens to decisions about tariffs and dumping provisions?

ANSWER

Australia and its trading partners often liberalise tariffs via free trade agreements where reciprocal preferential market access outcomes that benefit Australian businesses can be negotiated, and which also take into account any specific industry sensitivities. Reciprocal tariff liberalisation and market access support Australian manufacturers which export their products, along with those manufacturing for the domestic market.

Tariff concessions assist Australia’s domestic manufacturing industry where manufacturers require inputs and no locally substitutable goods exist.

The Tariff Concession System assists Australian industry become more internationally competitive by allowing duty free entry for certain goods where there is no local industry that produces those goods and application of the tariff serves no industry assistance purpose. This provides benefit to industry and consumers by lowering input costs for firms as well as reducing costs to the general community.

Australia’s legislation and World Trade Organization rules require that anti-dumping and countervailing measures only be imposed as a remedy to proven injurious dumping and subsidisation. Different standards for imposing these measures would risk contravening these requirements and be at odds with Australia’s commitment to free, fair and rules-based trade.

The Government is supporting sovereign capability by building scale, competitiveness and resilience in Australian manufacturing through the Modern Manufacturing Strategy – leveraging and building on Australia’s strengths, supporting businesses to invest and create jobs, and driving long-term productivity, growth and sustainability for Australia.