

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: Determination of manufacturing priorities

REFERENCE: Question on Notice (Hansard, 11 November 2021, Page 75)

QUESTION No.: 7

Senator Patrick: ... So my question went to: which manufacturing segments or industries do we currently have an advantage in?

Mr Campbell: The most successful ones are some of the ones that are existing manufacturing priorities, such as food and beverage, medical and certainly large parts of the health sector generally—pharmaceuticals. That has fluctuated over the years, but that's certainly been one of them. But the broader point you're raising is: do you spend taxpayer dollars on areas of comparative advantage or don't you? If you don't, why would you spend dollars in an area where it is uncertain whether the return is going to be viable?

Senator PATRICK: Because it might give you greater resilience and that's one of the things we're seeking. If there is an area where we're vulnerable from a reliance perspective, and we therefore need a capability there, we have to assist and we have to promote those particular industries in some way.

Mr Campbell: I don't think there's any disagreement that there is a need to focus on areas of priority for supply chain resilience.

Senator PATRICK: So how do we come up with those different regions—recycling, medical et cetera? Was that derived from some study?

Mr Campbell: We have looked at a number of reports over the years. They largely use a technique called 'revealed comparative advantage'. It's a way of determining what is a comparative advantage for a particular economy. It's a technique that the OECD developed probably back in the sixties. Then there's a number of reports. We can certainly point you to them on notice and give you some references if you would like.

ANSWER

The Australian Government's *Modern Manufacturing Strategy* identified six National Manufacturing Priorities. A range of techniques were used to identify areas of comparative advantage and strategic importance for manufacturing.

Australia continues to have a clear comparative advantage in resources technology and food and beverage, consistent with previous analysis, and horizon scanning has uncovered areas where we have significant potential in new and emerging areas. Some previous studies referred to also include:

- McKinsey and Company, 2014, *Compete to Prosper: Improving Australia's Global Competitiveness*;
- OECD, 2015, *Australian Manufacturing in the Global Economy*; and
- World Bank, 2018, *World Trade Integrated Trade Solution*.