

21 August 2020

Committee Secretary
Joint Standing Committee on Treaties
PO Box 6021
Parliament House
Canberra ACT 2600

Via email: jsct@aph.gov.au

To the Committee Secretary,

Certain Aspects of the Treaty-making Process in Australia

The Australian Manufacturing Workers' Union (AMWU) represents over 70,000 workers who create, make and maintain in every city and region across Australia. Our members produce goods that carry the famous "Australian Made" brand that families and businesses here and around the world know as a mark of quality.

Sadly, trade policy – including the process for making trade agreements – has limited our members' ability to compete on an even playing field in export markets and against imports to Australia. We support the submissions of the Australian Council of Trade Unions (ACTU) and the Australian Fair Trade and Investment Network (AFTINET) to this inquiry. We appreciate the opportunity to make this submission. We will focus this submission on a few additional matters that are particularly relevant to our members and the industry that they work in.

Persistent Trade Deficits for Manufactured Goods

Australia needs a genuine, independent National Interest Test to be applied to all Free Trade Agreements (FTAs) prior to them being signed by government. The current process, where the test is undertaken by DFAT is woefully inadequate and has led to serious, long-term damage to many domestic industries, including manufacturing.

To highlight this impact, we would like to draw the committee's attention to some recent work published by the Centre for Future Work. The "Fair Share" report highlights the negative impact that trade agreements have had on the Australian manufacturing industry. A copy of the report is attached, and we recommend the section titled "Australia's place in the world" - in particular, table 5 of the report, which is reproduced below.

Table 5					
Manufacturing Trade Effects of FTAs					
First Five Years in Effect					
	Growth in Exports		Growth in Imports		Cumulative Change Trade Balance (\$b)
	Avg. Ann. Growth	Cumulative Change (\$b)	Avg. Ann. Growth	Cumulative Change (\$b)	
Singapore	6.47%	\$0.9	24.28%	\$10.5	-\$9.6
US	-2.23%	-\$0.9	1.28%	\$1.6	-\$2.5
Thailand	3.67%	\$0.3	17.25%	\$5.6	-\$5.2
Chile	-2.68%	\$0.0	4.00%	\$0.2	-\$0.2
Malaysia	1.17%	\$0.2	8.24%	\$3.1	-\$2.9
Korea¹	1.19%	\$0.3	-0.48%	-\$0.3	\$0.5
Japan²	2.83%	\$0.9	4.28%	\$3.9	-\$3.0
China²	14.79%	\$5.9	6.56%	\$17.6	-\$11.7
8 FTAs	3.15% ³	\$7.5	8.18% ³	\$42.0	-\$34.5
Ratio Import Growth/Export Growth			2.6	5.6	

Source: Author's calculations from DFAT TRIEC trade pivot tables. Manufacturing includes processed primary goods (but excludes LNG).

1. First 4 years in effect.
2. First 3 years in effect.
3. Unweighted average of growth rates.

This table highlights the impact on Australia's bilateral trade in manufactured goods in the five years following the signing of an FTA with 8 major trading partners. As you can see, the growth in manufactured imports has outstripped manufacturing exports by \$34.5 billion over the study period. Only one of the eight FTAs resulted in a net positive effect on the Australian manufacturing industry, and it was by \$0.5bn. The only FTA that encouraged double digit growth in our exports to a target country was the China FTA (14.79%) which was largely due to the two factors: the weakness of our trade relationship before the FTA was signed and a large growth in processed foods. Once processed foods are removed from the calculations, the growth in our manufactured exports to China is reduced to 4.7% a year. Given the recently announced anti-dumping investigation announced by China into Australian wine, many of these meager gains may be under threat.

This data highlights the failure of Australia's trade policy and its treaty-making process to provide positive outcomes for Australian manufacturing businesses and their workers. This is not the place for a lengthy re-prosecution of the value of domestic manufacturing, but the recent disruptions to global supply chains and scarcity of vital medical equipment has reaffirmed the value of a sovereign capability in manufacturing. This is particularly concerning as Australia places last among the 36 OECD countries for manufacturing self-sufficiency. The summary table below has been drawn from Table 10 in attachment 1 to this submission.

Manufacturing Self-Sufficiency, OECD Countries, 2015

	Manufacturing Output (\$US b)	Ratio of Mfctg. Import/Exports	Manufacturing Trade Bal. (\$US b)	Self-Sufficiency Ratio	
1	Ireland	\$215.4	0.30	\$109.4	203.2%
2	Germany	\$2,013.9	0.61	\$347.1	120.8%
3	Luxembourg	\$12.6	0.73	\$2.1	119.7%
4	Netherlands	\$329.5	0.67	\$51.5	118.5%
5	Korea	\$1,467.0	0.55	\$227.5	118.3%
35	Chile	\$83.5	2.33	-\$27.5	75.2%
36	Australia	\$269.2	2.76	-\$107.2	71.5%

The agreement making process has failed the Australian manufacturing industry. Without a significant change to the way that we make agreements to include a genuine, independent National Interest Test prior to any agreement being signed, this vital industry and the sovereign capability it delivers will continue to suffer. This test needs to be comprehensive, with analysis of the impacts on Australian workers, businesses, economy and environment. It is important that this analysis is made publicly available and subject of scrutiny by this committee prior to signing. This will allow the impacts of any FTA to be known prior to the government committing the nation.

Stronger domestic rules to limit scope of trade agreements

The parliament needs to assert its authority and put in place limits on the ability of the executive to sign trade agreements which include certain clauses. While the authority to sign agreements rests with the executive, there is no barrier to an increased role for parliament in approving or rejecting the text of an FTA prior to its signing. The most transparent and effective way to achieve this, in our view, is through legislation.

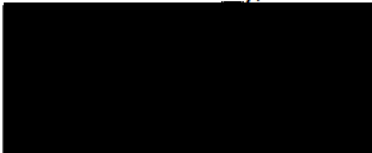
An *Australian Fair Trade Act* could establish in law the expectations of the community in relation to the making of new FTAs. There is overwhelming support for Australia's public health system, including Medicare and the Pharmaceutical Benefits Scheme, but also laws that support public health, like plain packaging of cigarettes. Governments always assure the public that these are sacrosanct and will not be traded away in FTAs, but legislation would ensure that the public were not asked to take this on trust. Similarly, legislation could ban agreements being reached on FTAs that: waived labour market testing, undermined the anti-dumping regime, exempted individuals or businesses from Australian laws (including workplace laws and occupational health and safety) or did not include a binding and enforceable chapter on internationally

recognised labour rights. Further, they could prevent FTAs being signed if they limited the government's ability to preference local businesses in procurement decisions where they are made to assist SMEs, protect national security, promote ethical standards, develop or maintain sovereign industrial capabilities, and protect and encourage involvement of Indigenous Australians.

By implementing legislation to limit the power of the executive, the parliament would be more effectively representing the diverse views on trade policy that exist within the Australian community. The power to make treaties has evolved over the life of the Australian democracy, beginning with the imperial government and devolving to the executive under Article 61. There is no reason to believe that the current unfettered authority currently wielded by the executive is the natural or desirable state of affairs. As we have set out above, the current approach has led to very poor outcomes. We encourage you to examine the solutions we have recommended as we believe they will improve the outcomes for workers, businesses and the Australian community.

We thank you for the opportunity to have made a submission on behalf of our members. If you would like any additional information, please contact Warren Tegg (warren.tegg@amwu.org.au) in the first instance.

Yours sincerely,



Paul Bastian
NATIONAL SECRETARY