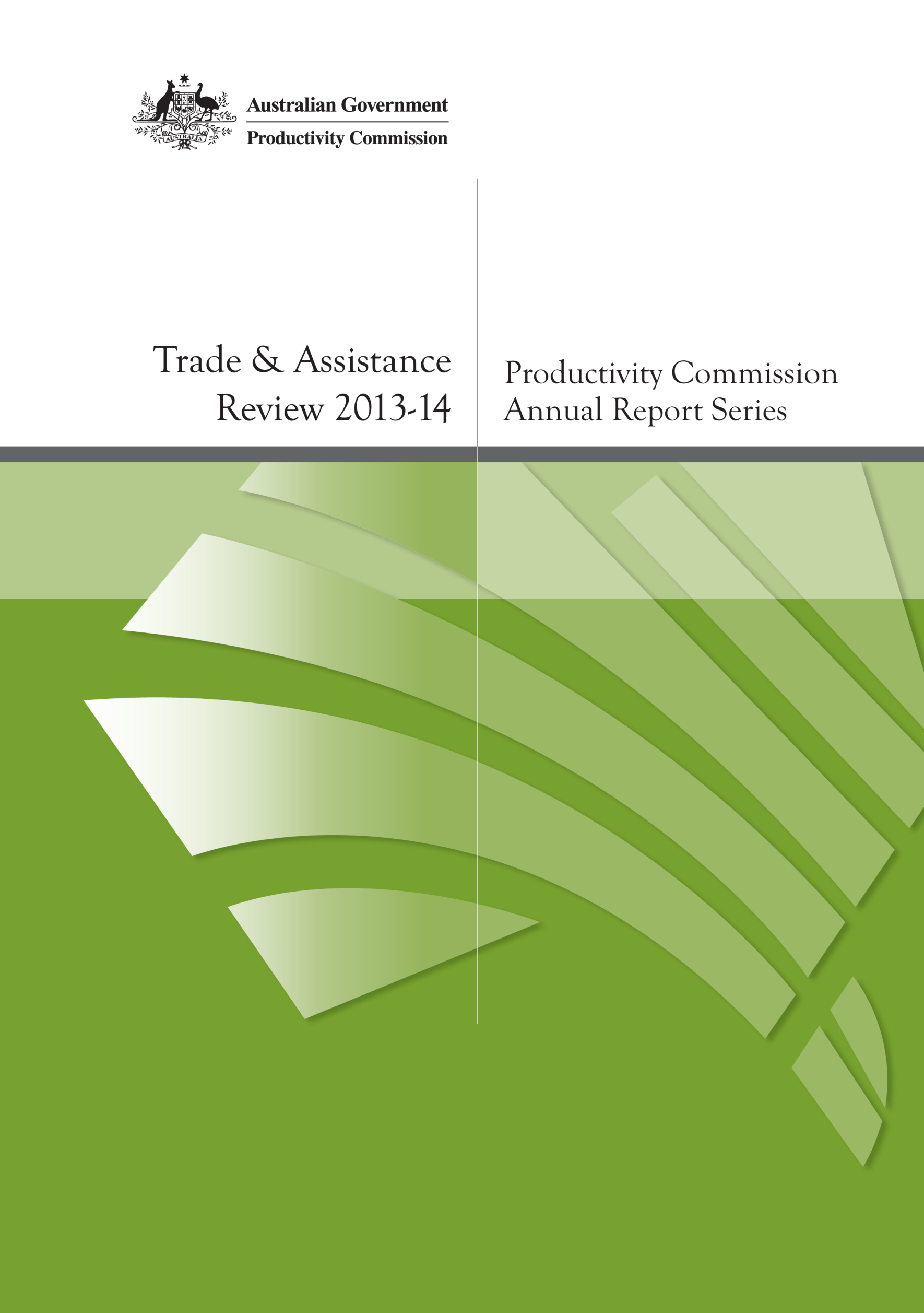
# Trade and Assistance Review 2013-14

Productivity Commission

Commonwealth of Australia 2015

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# Foreword

This is the Productivity Commission’s 18th annual Trade and Assistance Review.

The Commission is required under its Act to report annually on industry assistance and its effects on the economy. *Trade & Assistance Review 2013-14* contains the Commission’s latest quantitative estimates of Australian Government assistance to industry. It also draws attention to trade and assistance policy that could be impeding economic growth, and identifies recent developments in industry assistance and international trade policy.

This year’s Review also includes three policy relevant chapters. Collectively they draw policy implications from the emerging patterns of global trade, assess firm-level assistance and the associated governance, and identify and assess concerns with preferential trade agreements.

The Review is informed by the evolution and recent measurement of global value chains. New measures of value added trade flows unravel the DNA of trade and in doing so provide valuable insights and better informed foundations for trade and assistance policy. The key policy take-outs reinforce several established policy imperatives, including:

* multilateral trade reform is the most effective way to improve national and global welfare
* non-discriminatory policies that seek to lower imported input costs and other business costs have the best chance of fostering firm and economic growth
* policies that seek to support (at times ill-informed) priority sectors unavoidably risk disadvantaging more competitive activities.

Finally, the Review examines the quality of the limited analysis currently being made available for both industry assistance, for example co-investment and preferential trade agreements. Based on benchmarks well established in other circumstances, both suffer from inadequate assessment prior to committing Australian resources and policy.

In preparing this report, the Commission has received helpful advice and feedback from a number of officials in Australian Government agencies and Professor Peter Drysdale. The Commission is very grateful for their assistance.

Peter Harris

Chairman

June 2015

Contents

Foreword iii

Abbreviations xi

Overview 1

Key points 2

Estimates of tariff and budgetary assistance to industry 4

Recent developments in industry assistance — some swings and roundabouts 6

What do emerging patterns of trade and global value chains mean for trade and industry policy? 8

Good governance matters for industry and especially firm-specific assistance 11

Recent developments in trade policy 13

Concerns remain about preferential trade agreements 14

1 About this Review 17

2 Policy insights from emerging patterns of global trade 21

2.1 Value-added trade patterns 23

2.2 International trade competitiveness 29

2.3 Assistance to exporting and Australia’s export competitiveness 33

2.4 Concluding comments 43

3 Firm assistance – when government becomes an 'investor' 45

3.1 An appropriate governance framework 47

3.2 Current assistance governance practices vary considerably 49

3.3 Governance processes that would help narrow the performance gaps 58

4 Issues and concerns with preferential trade agreements 61

4.1 Rules of origin 63

4.2 Service sector coverage 70

4.3 Intellectual property provisions 75

4.4 Dispute settlement 77

4.5 Assessing the potential impacts of trade agreements 82

5 Assistance estimates 89

5.1 Estimates in aggregate 92

5.2 Tariff assistance 94

5.3 Australian Government budgetary assistance 102

5.4 Combined assistance and effective rates of assistance 111

5.5 Effective rates of assistance since 1970 117

6 Recent developments in industry assistance 121

6.1 Research, development and innovation 123

6.2 Primary production 125

6.3 Manufacturing 131

6.4 Industry Innovation and Competitiveness Agenda 134

6.5 Regional assistance programs 136

6.6 Broadcasting and communications 138

6.7 Other industry assistance developments 141

6.8 Policy framework reviews 144

7 Recent developments in trade policy 147

7.1 Multilateral, plurilateral and regional developments 148

7.2 Bilateral and regional agreements 156

7.3 Dispute settlement 162

7.4 Anti-dumping activity 164

Appendices

A Detailed estimates of Australian Government assistance to industry 167

B Emerging patterns of production and trade 221

C Recent co-investment grant proposals 241

D Services commitments in the ASEAN-Australia-New Zealand trade agreement 247

E Anti-dumping and countervailing activity 261

References 265

**Boxes**

2.1 Sources of trade competiveness 30

2.2 Some recent empirical studies on trade competitiveness 31

2.3 Participation in global value chains found to have increased productivity of Canadian manufacturing firms 33

2.4 Some cautionary considerations about EMDG and EFIC 36

2.5 Competitiveness Agenda proposals which give priority to five industries 38

2.6 Approaches to identifying Australian industry export growth prospects 40

3.1 Inappropriate use of multiplier analysis 56

3.2 Investment governance for APRA supervised entities 59

4.1 Approaches for determining origin of non-originating materials used in merchandise trade in Australia’s preferential trading agreements 64

4.2 Rules of origin for Bed linen, table linen, toilet linen and kitchen linen 66

4.3 Services and investment origin (denial of benefits) rules in selected Australian trade agreements 69

4.4 Article 17.4.7 AUSFTA: circumvention of technological protection measures 76

4.5 Possible evaluation framework for trade agreements 83

4.6 OBPR assessment of the JAEPA RIS 85

5.1 Coverage of the Commission’s assistance estimates 91

5.2 Tariff assistance to the Petroleum, coal, chemical and rubber products industry in 2013‑14 95

5.3 Treatment of tariff preferences in assistance estimates 98

5.4 Summary measures of combined assistance 111

5.5 Assistance measures that provide above average levels of support 117

6.1 Overseas-based online content services: legality and local competitors 140

6.2 Implicit guarantee of banks 146

7.1 APEC Business Travel Card 153

7.2 Key features of the China-Australia trade agreement — Australian export market access perspective 159

**Figures**

1 The incidence of assistance varies widely across industries 5

2 Budgetary assistance to industry increased in 2013‑14 6

3 Global value chain activity has increased since 1990 9

4 Australian exports in gross and value added terms 10

5 Recent calls for firm-specific co-investment grants 11

6 The ‘investment’ continuum: government support to commercial financing 12

7 An appropriate assistance governance framework 13

8 Gaps exist in the assessment of the net benefits of trade agreements — the case of the Japan‑Australia Economic Partnership Agreement 16

2.1 World exports in gross and value-added terms sector shares 25

2.2 Australian exports in gross and value-added terms sector shares 25

2.3 Australian value-added exports by country 27

2.4 Global export flows have increased ahead of value added in exporting 28

2.5 Value added in exporting varies between sector and over time 29

3.1 The ‘investment’ continuum: government support to commercial financing 47

3.2 An appropriate assistance governance framework 48

3.3 Recent calls for firm-specific co-investment grants 52

4.1 Methods used to determine origin of merchandise trade in Australia’s preferential trade agreements 67

4.2 Known ISDS cases 78

4.3 Gaps abound – the Government’s assessment of the net benefits of the Japan Australia Economic Partnership Agreement 87

5.1 Aggregate estimates of measurable assistance 93

5.2 Net combined assistance by industry sector 94

5.3 Net tariff assistance by industry sector 99

5.4 Forms of budgetary assistance 102

5.5 Budgetary assistance to industry 103

5.6 Budgetary assistance by category 106

5.7 Budgetary assistance and value-added shares by industry sector 109

5.8 Effective rates of assistance to manufacturing and agriculture 118

7.1 Australia’s recent trade policy developments 149

7.2 Australia’s bilateral trade agreements in force 157

B.1 The increasing contributions to global production of China, South Korea and ASEAN 222

B.2 Value added by broad sector as a proportion of global production 223

B.3 Merchandise trade has grown much faster than output 224

B.4 The emergence of Asia in merchandise exports 225

B.5 The share of merchandise trade by sector 226

B.6 The changing composition of services trade 227

B.7 Sector shares in total world value-added and gross exports 229

B.8 Gross exports per unit of value-added has increased 230

B.9 Changes in global exports per unit value added in exporting by sector 232

B.10 Gross exports per unit of value added in exporting, top 20 exporting countries 233

B.11 Value added decomposition of gross exports 235

B.12 Australian exports in gross and value-added terms 237

B.13 Australian value-added exports by country of destination 238

B.14 Factor income shares across 14 manufacturing industries 239

E.1 Australian anti-dumping and countervailing activity 264

**Tables**

2.1 Value-added decomposition of gross exports, 2008 26

2.2 Recent Australian Government export assistance 34

2.3 Some future growth sectors identified by economic consulting firms 39

3.1 Recent co-investment funding support 54

3.2 Information provided on governance features of co-investment proposals by the Department of Industry and Science 55

4.1 Count of listed rules of origin by trade agreement 65

4.2 Foreign direct investment in Australia 70

4.3 Services commitments in the ASEAN-Australia-New Zealand trade agreement 73

4.4 Comparison of GATS and AANZFTA services commitments 74

4.5 Australia’s major foreign investment relationshipsa 81

5.1 Tariff assistance 96

5.2 Net tariff assistance by industry sector 99

5.3 Tariff assistance by industry grouping 101

5.4 Budgetary assistance by industry grouping 110

5.5 Combined assistance by industry grouping 113

5.6 Effective rate of combined assistance by industry grouping 115

6.1 Comparison of the three farm concessional loans schemes 127

6.2 Industry assistance related measures in the Industry Innovation and Competitiveness Agenda 135

7.1 Analysis of G20 country members’ trade actions on the Brisbane Action Plan 151

A.1 Net tariff assistance by industry grouping 168

A.2 Budgetary assistance by industry grouping 169

A.3 Net combined assistance by industry grouping 170

A.4 Output tariff assistance by industry grouping 171

A.5 Input tariff penalty by industry grouping 172

A.6 Budgetary outlays by industry grouping 173

A.7 Budgetary tax concessions by industry grouping 174

A.8 Nominal rate of combined assistance on outputs by industry grouping 175

A.9 Nominal rate of combined assistance on materials by industry grouping 176

A.10 Australian Government budgetary assistance to primary industry 177

A.11 Australian Government budgetary assistance to mining 188

A.12 Australian Government budgetary assistance to manufacturing 190

A.13 Australian Government budgetary assistance to services 204

A.14 Australian Government budgetary assistance, unallocated other 219

B.1 Public datasets on value added in trade flows 228

B.2 Alternate estimates of value added to gross exports 231

B.3 Components of gross exports 234

B.4 Simplified value-added decomposition of gross exports 236

B.5 Changes in factor shares from 1995 to 2008 in manufacturing global value chains, by economy 240

D.1 Services commitments in the ASEAN-Australia-New Zealand preferential trade agreement 248

E.1 Australian anti-dumping and countervailing activity — initiation of investigations 262

E.2 Australian anti-dumping and countervailing activity — new measures imposed and measures expired 263

# Abbreviations

ABS Australian Bureau of Statistics

ANAO Australian National Audit Office

ANZSIC Australian and New Zealand Standard Industrial Classification

APRA Australian Prudential Regulation Authority

APEC Asia-Pacific Economic Cooperation

ASEAN Association of Southeast Asian Nations

CRC Cooperative Research Centre

CSIRO Commonwealth Scientific and Industrial Research Organisation

CTC Change in Tariff Classification

DFAT Department of Foreign Affairs and Trade

EFIC Export Finance and Insurance Corporation

EMDG Export Market Development Grants

ERA Effective rate of assistance

GATS General Agreement on Trade in Services

GVC Global Value Chain

ISDS Investor-State Dispute Settlement

MFN Most Favoured Nation

OECD Organisation for Economic Co-operation and Development

PC Productivity Commission

RCEP Regional Comprehensive Economic Partnership

R&D Research and Development

RVC Regional Value Content

SME Small and medium-sized enterprise

TES Tax Expenditure Statement

TPP Trans-Pacific Partnership

TRIPS Agreement on Trade-Related Aspects of Intellectual Property Rights

UNCTAD United Nations Conference on Trade and Development

WTO World Trade Organization