

Chapter Three

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Engaging with the Global Economy

Australia's long-term prosperity depends on us competing successfully in global markets. This requires Australia to produce high quality goods and services that the world wants to buy, as well as working hard to remove barriers to accessing overseas markets. In government, Labor will give priority to a new export strategy to ensure that Australia has diverse and value-added markets that can sustain the economy beyond the mining boom. Labor will also pursue trade liberalisation and market-opening opportunities, through the World Trade Organisation and where appropriate, through regional and bilateral agreements.

Principles

- 1.** Labor is committed to ensuring that the benefits of global economic growth are shared—both within Australia and between countries. We support free trade as a means of generating the growth necessary for enhancing the living standards of all Australians. Australia has directly benefited from trade liberalisation, but the distributional effects cannot be ignored. Reducing trade barriers boosts our economic growth, creates more competitive industries, provides benefits to consumers and builds stronger relationships with our trading partners. Trade is an important way of creating more fulfilling, well paid jobs for Australians.
- 2.** Labor will ensure that the benefits of global economic growth are available to all Australians through better education and training programs, industry development policies, fostering new, knowledge-intensive enterprises and a particular focus on those industries and regions which are adversely affected by trade liberalisation. Whilst the rapid development of new technologies will be encouraged, Labor will introduce policies to make access to technology more equitable. Labor is committed not only to providing an adequate safety net, but also giving everyone, wherever they live, the opportunity to prosper in the modern Australian economy.
- 3.** Labor will continue to pursue sensible trade liberalisation through effective multilateral strategies by bilateral negotiations. The direction Labor pursued in the 1980s and 1990s of internationalising the economy and reducing protection complemented by long-term commitments to strategic industry development cannot and should not be reversed.
- 4.** Australia's economic future lies principally with the Asia Pacific region. Over half of our trade is with nations in the Asia Pacific. Labor is committed to enhancing our economic relationship with those countries in Australia's immediate neighbourhood.
- 5.** Australia also needs to recognise the continuing integration of Europe and the size and importance of the European Union (EU) to Australia's trading interests. Australia needs to make a strong commitment to winning new markets in the emerging economies within Europe and the Americas.

Opening Markets

- 6.** Labor recognises the importance of maximising trade and investment opportunities for Australia in a rapidly changing world. The role of the minister and the Department of Foreign Affairs and Trade must remain sufficiently flexible to meet our future needs. Labor does not assume that the current policy machinery will necessarily be appropriate to the modern

economy. Labor will integrate innovation, industry and trade policies to take Australia along the road of high-skills and high-wages. Labor will adopt administrative arrangements within the Commonwealth Public Service that facilitate this integration.

- 7.** Labor remains firmly committed to realising our free trade objectives, through negotiations at the World Trade Organisation (WTO) and the Asia Pacific Economic Cooperation (APEC) forum, regional free trade agreements and bilateral market opening.
- 8.** The WTO's objective, to reduce trade barriers worldwide, will help Australia maximise economic growth and job creation. Labor endorses the full implementation of the WTO's Uruguay Round agreements and the work of the Cairns Group (established by Labor in 1986) to reduce world agricultural protection. Labor supports the timely and successful completion of the WTO's Doha Round. The Doha Round must achieve a substantial lowering of industrial tariffs and improved market access for services. It must also achieve a comprehensive outcome on agriculture including substantial improvements in market access, the phasing out of all forms of export subsidies as already agreed in 2005, and substantial reductions in trade distorting domestic support. The Doha Round must offer major benefits to Australia and to developing countries that face world trading rules denying them access to major markets. Labor supports the re-invigoration of the Cairns Group as a leader in WTO negotiations.
- 9.** Labor will play an active role to ensure that the activities of the WTO respect core International Labour Organisation (ILO) labour standards and multilateral environment agreements. Labor recognises that economic growth and prosperity arising from increased international trade brings with it the responsibility to promote higher labour and environmental standards for Australia and internationally.
- 10.** WTO rules presently allow all nations to determine for themselves the appropriate public/private mix in their health, education, water and welfare sectors, and to determine the distribution of government funding within these sectors. WTO rules also permit countries to protect their cultural industries. Labor supports these positions. We will vigorously oppose any WTO rules, interpretations or proposals that would require Australia to privatise its health, education and welfare sectors, reduce government rights to determine the distribution of government funding within these sectors, or which would require us to remove protection of our cultural industries. Labor will oppose attempts to privatise water services under WTO rules.
- 11.** Labor is committed to the peaceful resolution of trade disputes in the WTO, through a system of transparent, fair and enforceable rules. We support efforts to make the WTO dispute resolution process as fair, prompt and open as possible. Labor will make sufficient resources available to ensure that Australia can properly prosecute and defend those cases in which it is involved.
- 12.** APEC (established by Labor in 1989) is pivotal to increasing trade in our region. Labor will promote APEC's Bogor Declaration goals of regional free trade by 2010 for developed nations and 2020 for developing nations. APEC can also serve a valuable function by mobilising support for a further round of WTO negotiations, facilitating trade between APEC members and widening dialogue in the region on the issue of core labour standards.
- 13.** Labor acknowledges the positive role our Closer Economic Relations agreement with New Zealand has played in improving the economies on both sides of the Tasman. In government, Labor will seek an agreement with New Zealand to jointly examine whatever other possibilities exist to further strengthen the relationship.

- 14.** Labor supports efforts, first begun in 1994, to join the ASEAN Free Trade Area (AFTA) and the Australia New Zealand Closer Economic Relations agreement into a single free trade agreement.
- 15.** Where appropriate, Labor will pursue bilateral market access initiatives provided they deliver real benefits to the Australian economy and increased employment opportunities. The pursuit of multilateral agreements will take precedence over bilateral negotiations in the allocation of resources to trade negotiation. Bilateral initiatives must contribute to, and not detract from, multilateral trade liberalisation.
- 16.** Labor is only prepared to support bilateral free trade agreements that are compatible with WTO rules and which advance the overall national economic interest of Australia including the manufacturing, services and agriculture sectors. Labor does not support FTAs being pursued for geopolitical reasons.
- 17.** Bilateral trade initiatives agreed by Australia must not impact on the government's capacity to provide public services such as health, education, water, waste water, electricity supply or post. In particular, trade initiatives must not undermine Australia's Pharmaceutical Benefits Scheme.

Inclusive Trade Policies

- 18.** Labor believes that there is an obligation in all trade arrangements to respect core labour standards. Consequently, and consistent with the Singapore Declaration, we support the establishment of a formal permanent WTO working group or similar body with the following terms of reference:
 - It would be part of the WTO's follow-up to the Singapore Declaration commitment on labour standards and would therefore report back to the WTO General Council with proposed recommendations concerning WTO procedures, mechanisms and regulations.
 - It should be a standing or permanent body working on an ongoing basis.
 - It should provide for the participation of the ILO, which must be given formal consultative status at the WTO.
 - It must have a defined work program including, inter alia:
 - a mandate to undertake analysis and to propose procedures and instruments for the treatment of core labour standards in the international trading system;
 - the examination of how to associate trade with respect for core labour standards, including positive incentives and assistance;
 - the consideration of measures to be taken where trade liberalisation is associated with violations of core labour standards; and
 - review of the mechanisms of the WTO (trade policy reviews, dispute settlement etc) in order to promote openness and transparency and ensure consistency of trade negotiations and agreements with respect for core labour standards within the work of the WTO.
- 19.** Labor believes a rules-based system underpinned by core labour standards provides a framework for fairness and equity and is the most effective means to ensure governments do not resort to unsustainable protectionism. Labor believes that there is a need to analyse the strengths and weaknesses of the WTO, ILO, International Monetary Fund (IMF) international framework with a view to introducing a reform agenda. Reflecting this, Labor will work towards the development of a global trading system for the 21st century which is underpinned by equity and transparency.

- 20.** In this context, Labor will support calls for a meeting between the WTO, ILO, World Bank, IMF and other relevant bodies, as may be decided, for the purpose of launching an ongoing dialogue and action on the subjects of development and labour standards.
- 21.** Labor recognises the role of ADB and Australia's unique position in the regional bank. Labor will work with the ADB, officers, directors and governors to ensure compliance with core Labor standards community consultation and the establishment of a Labor desk at the ADB, to advise project officers and consultants in ensuring core Labor standards and related issues.
- 22.** Labor notes that the WTO (through its preamble) and APEC (through successive Leaders' Statements) are committed to furthering the goal of sustainable development. A Labor Government will play an active role in WTO and APEC negotiations to promote sustainable development. In particular, Labor will work towards the removal of environmentally damaging subsidies, and promote mechanisms which can reconcile the interests of environmental protection and trade liberalisation. A Labor Government will also ensure that all major trade agreements into which Australia enters, bilateral and multilateral, are assessed to ensure that they are consistent with the principles of sustainable development and environmental protection for all regions of Australia.
- 23.** Labor recognises that free trade is a necessary, but not sufficient, condition to promote economic growth in developing countries. We will work to ensure that nations and their communities in our region and throughout the world benefit from open markets and share in global growth. We will promote policies to achieve this in the WTO, World Bank, IMF, ILO and other international forums. Labor acknowledges the benefit of economic growth in developing countries, while also noting that many developing economies have not seen the benefits of economic growth equitably. Through the creation of jobs, equitable economic growth can free people from hunger and poverty, provide access to economic independence for individuals and support meaningful basic human rights. At the same time economic growth in developing countries brings new markets for Australian exporters, contributing to creating jobs in our country and strengthening our economy.
- 24.** Developing countries must be properly resourced if they are to fully benefit from WTO negotiations. Labor will work to ensure that international funds are made available for capacity building and technical assistance, so that poorer countries can effectively participate in WTO negotiations.
- 25.** Governments have a responsibility to make trade policy as transparent and publicly accessible as possible. A free flow of information is important for its own sake, as well as to build accountability and public confidence in the multilateral trading system. Labor will encourage this by:
- ensuring the positions that a Labor Government takes at the WTO and developments within the WTO are regularly reported to parliament, including to a joint parliamentary committee established to scrutinise WTO affairs;
 - ensuring that all Australian submissions and relevant materials to the WTO are made public unless there are genuine commercial-in-confidence reasons, or disclosure will damage our national interest;
 - reviewing all existing government consultative mechanisms and reconstituting them to ensure they are representative of business, unions, environmental and community interests;

- reviewing the composition of governmental delegations to WTO ministerial meetings, so that they include appropriate representation from business (including small business), unions and non-government organisations; and
- advancing rule changes within the WTO to ensure immediate publication of dispute settlement decisions, together with a short, plain language explanation of the decision.

More Democracy and Transparency

26. Labor recognises that bilateral free trade agreements offer an avenue for opening new markets for Australia's export community to complement market access gains derived from regional and multilateral trade negotiations. Labor considers that bilateral trade initiatives should only proceed on the basis of full community consultation. In the interests of openness and accountability a new mechanism should be established to enhance parliamentary scrutiny of free trade agreements. Labor proposes that:

- prior to commencing negotiations for bilateral or regional free trade agreements, a document will be tabled in both Houses setting out the Labor Government's priorities and objectives, including independent assessments of the costs and benefits of any proposals that may be negotiated. This assessment should consider the economic, regional, social, cultural, regulatory and environmental impacts which are expected to arise; and
- once the negotiation proposal is complete, a package will be tabled including the proposed treaty together with any legislation required to implement the treaty domestically.

Export Promotion

27. Labor maintains its commitment to the promotion of Australian exports. Austrade should be structured so that it can respond promptly to the needs of individual firms, as well as developing particular export markets. This may involve forming consortia, holding conferences and educating Australians about the contribution that trade and investment make to our living standards. Austrade should focus particularly on knowledge-intensive industries such as elaborately transformed manufactures and the service economy. The promotion of manufactured goods and service exports is a fundamental goal designed to create high skill high wage employment and diversify Australia's economic base. The Export Market Development Grants scheme provides grants to small and medium enterprises (SMEs) to assist their export promotion activities. In accordance with the legislated timetable, Labor will assess the operation of the scheme to ensure that it is efficient and effective.

28. Labor recognises that the multicultural nature of our society and the many languages spoken by Australians are great strengths as a trading nation. Labor will facilitate trade networking and trade promotional activities in cooperation with major ethnic organisations both domestically and overseas.

A New Export Strategy

29. Australia needs a new exports strategy that:

- rebuilds the skills of our nation—the skills demanded by Australian export industries;
- lifts innovation, research and development;
- plans properly for our national infrastructure needs—rather than standing passively by while infrastructure bottlenecks occur;
- improves export promotion and better coordinates Federal and State government resources in this area; and

- rebuilds Australia's export culture.
- 30.** Labor recognises the growing importance of China and India as markets for Australian exports, in particular services exports, and service enhanced manufacturing. Labor believes we must diversify our export base to China and India and develop appropriate export policies to effectively compete. Labor will ensure that Austrade and DFAT devote appropriate resources to developing further access to these markets for Australian exporters.
- 31.** Labor recognises Australia's comparative advantage in funds management and will ensure that Australia has appropriate policy settings and marketing to position Australia as a funds management hub in Asia. Labor understands the significant opportunities the worldwide growth of electronic commerce brings, particularly to small and medium sized businesses in Australia. To help optimise e-commerce opportunities for Australian companies, Labor will:
- encourage Austrade to promote competency in e-commerce as a key function of their work;
 - support in APEC, and all other trade agreements, the promotion of electronic clearance and other cross border regulation; and
 - promote programs to help exporters lift their take-up rate of new technology and be e-commerce ready.
- 32.** The Export Finance Insurance Corporation (EFIC) should operate on commercial lines. In so doing, however, it must carefully assess the environmental and social implications of projects to ensure that they are sustainable in the long-term. EFIC should retain the ability to refer non-commercial projects issues to the minister for support, where those projects are in the national interest.
- 33.** Labor will investigate the feasibility of instituting a mixed credit scheme, as part of the role the Department of Foreign Affairs and Trade (DFAT) should play in linking our initiatives to the needs of Australian companies. Such a program should support Australia's development assistance objectives, but would not be counted as part of Australia's overseas aid budget. Any future mixed credit scheme should carefully assess the benefit to recipient countries and the country's ability to repay the loan.

Anti-dumping

- 34.** Labor supports the maintenance of anti-dumping measures. Anti-dumping legislation ensures that overseas exporters do not hurt our industry by selling their products in Australia at a lower price than they charge in their home markets. Where there is an allegation of dumping, it should be independently and urgently investigated by the Australian Customs Service.

Resolutions

Australia China Relations

Conference supports the close relationship between China and Australia originally forged by the Whitlam Labor Government.

Conference supports the continued deepening of the links between Australia and China and the expansion of a mutually beneficial trading relationship between our two countries.

Labor recognises that China's rise as a global economic power has seen the emergence of significant challenges that need to be addressed including labour standards, health and safety standards and environmental concerns.

Labor also notes international concerns at the impact of China's managed exchange rate for its competitive advantage.

Conference notes that China is faced with the challenge of balancing economic growth, social progress and pressure from multinational corporations to maintain China as a source of competitive advantage using low cost labour combined with limited environmental and safety controls.

Labor notes that the Government has embarked on negotiation of a number of bilateral free trade agreements, including with China. Labor expresses concern at the failure of the Howard Government to negotiate bilateral trade agreements which safeguard Australia's economic and social interests. Conference notes that, contrary to the claims of the Government, the free trade agreements with Singapore, Thailand, and the United States have seen the balance of trade between Australia and these countries deteriorate.

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The Government has given us no confidence that this pattern will not be replicated in an FTA with China resulting in significant structural impact on our manufacturing industry.

A further example of the Government's incompetent approach to trade negotiations was the concession of market economic status to China without gaining anything in return and without the process being transparent.

Labor reaffirms its preference for multilateral trade agreements over bilateral. Where appropriate, Labor will pursue bilateral market access initiatives provided they deliver real benefits to the Australian economy including increased employment opportunities, consistent with the platform and policy.

Conference determines that Australia's consideration of a bilateral preferential trade agreement with China must address the following issues:

- The agreement is comprehensive in nature and includes all sectors;
- It is consistent with the multilateral processes of the WTO;
- A transparent process to identify and rectify non-tariff barriers within China at both the national and province level must be agreed along with a timetable for implementation;
- Robust and effective processes to ensure legal rights are enforceable including property rights;
- Intellectual property rights must be safeguarded;
- Australia must have in place strong anti-dumping laws to protect our industries from government monopolies and other unfair practices;
- The economic and social impact of any agreement on regional areas;
- The implementation of effective domestic policies to promote research and development, innovation and increased investment in cutting edge technology designed to facilitate Australian

business growth including services, general manufacturing, service enhanced manufacturing and elaborately transformed manufactured goods; and,

- Any agreement must be subject to effective public consultation and a thorough parliamentary process capable of identifying the strengths and weaknesses of any proposed agreement.

With regard to core labour standards, health and safety standards and the environment, Labor notes that these issues remain of concern and a source of unfair advantage to China and businesses operating in and out of China.

In dealing with these issues, Conference notes the recent party-to-party agreement signed with China.

Not only is this a deepening of the relationship the ALP has had with China, it provides another opportunity to deal with these sensitive issues.

Conference calls on Labor to further develop this dialogue with the aim of assisting progress on that aspect of the platform requiring an obligation in all trade relations to respect core labour standards and to seek to develop procedures and instruments for their treatment.

The dialogue should also be used as another means towards the removal of environmentally damaging subsidies and promote mechanisms which reconcile the interests of environmental protection and an improved trade relationship.