
Key points

- The Australian Government assists industries through an array of mechanisms, including tariffs and regulatory restrictions on imported goods and services, as well as subsidies and tax concessions for domestic producers.
 - Assistance generally benefits the industry that receives it but can penalise other Australian industries, as well as taxpayers and consumers.
 - Some types of assistance, such as R&D funding, may deliver net community benefits; others entail net costs to the community.
- While industry assistance has declined greatly over recent decades, assistance provided by the Australian Government remains significant.
 - In 2005-06, the government measures covered in the Commission's latest series of estimates provided assistance to industry equivalent to \$14.4 billion in gross terms, and \$7.5 billion in net terms.
- Tariffs provided (gross) assistance equivalent to \$8.2 billion in 2005-06.
 - Virtually all of this was directed to manufacturing industries.
 - The resulting higher prices of manufactured inputs meant that net tariff assistance to most industries in other sectors (agriculture, mining and services) was negative.
- Estimated budgetary assistance to industry totalled \$6.1 billion in 2005-06.
 - Activities assisted included R&D (which received 28 per cent of measured budgetary assistance) and exporting (11 per cent). Sectoral and industry-specific assistance together accounted for 35 per cent of the total.
 - Manufacturing, primary production and the (much larger) services sector each received around one third of this assistance.
- The measured *rates* of combined assistance to manufacturing and primary production industries were, on average, roughly equal at around 5 per cent in 2005-06.
 - In manufacturing, the automotive and textiles, clothing and footwear industries attracted the highest effective rates of assistance, ranging up to 15 per cent.
 - The measured rate of assistance to primary production has increased in recent years, partly reflecting the provision of substantial drought relief.
- The current (Doha) round of multilateral trade negotiations has reached an impasse.
 - While the causes are many, a key underlying problem is a lack of understanding in most WTO member countries of the source of benefits that arise from trade liberalisation, which helps sectional interests to trump the national interest.
 - This could be alleviated by instituting mechanisms in all member countries to bring greater transparency to the costs and benefits of trade liberalisation.
- In line with a global trend, Australia has recently concluded a number of preferential trade agreements with particular countries, with more in prospect.
 - The outcome for Australia from such arrangements depends on detailed design features, including 'rules of origin' embodied in the agreements.