

## Submission to Soft Power Review

The Export Council of Australia welcomes the opportunity to make a submission to the Department of Foreign Affairs and Trade's (DFAT) "soft power" review.

The ECA is the leading industry body focused on Australia's international businesses, particularly SMEs. Our core activities include research, advocacy, skills development and events.

Our advocacy program aims to make it easier and less expensive for SMEs to engage internationally. To pursue this aim, each year we make trade policy recommendations to the Australian Government. We also make submissions to relevant Parliamentary inquiries. Our recommendations and submissions can be found at <https://www.export.org.au/trade-policy/trade-policy-recommendations>. We develop our policy positions in consultation with members, industry, and the ECA's network of trade policy experts.

We engage with government agencies—Commonwealth, state and territory—to advocate for our members and support SMEs. We sit on several Australian Government consultative committees and working groups, including the National Committee for Trade Facilitation.

### Submission

Australia's international economic success is intrinsically linked to its soft power. Economic success is a source of soft power, and soft power enables our economic success. It is critical that Australia's international economic objectives are a central focus of the soft power review. This economic success comes through more than just trade in goods and services—it includes investment, research and people-to-people linkages.

#### **Business is a critical soft power asset**

Australia's two-way trade and investment are critical assets of soft power. The relationships and mutual benefits that flow from international business interactions are perhaps the strongest source of a country's soft power. Australia's business soft power is significantly underperforming against its potential.

Australia sees itself as a trading nation, but the reality is different. Australia has the third-lowest trade intensity of all OECD economies<sup>1</sup> (ratio of total trade to GDP).

While this may have made sense in a mid-twentieth century world when Australia was burdened by the 'tyranny of distance', there is no excuse for it in a world of digital trade, global value chains and the economic rise of Asia. Australia's economic partnerships with the countries of ASEAN—which include our largest near neighbours—are particularly underdone.

Free trade agreements (FTAs) are a necessary but not sufficient condition for expanding Australia's trade and investment. There is much more that can be done, both domestically and internationally. Domestically, businesses are lacking in the skills and capabilities to trade, government support is fragmented, and infrastructure and transport costs are too high.

Internationally, there are opportunities to expand and thicken Australia's FTA network. Adequately funding the Export Market Development Grant would provide a major incentive for Australian businesses to go overseas and engage new markets.

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<sup>1</sup> OECD (2018), Trade in goods and services (indicator). doi: 10.1787/0fe445d9-en (Accessed on 05 November 2018)

More businesses in international trade will lead to more international relationships. More international relationships will lead to a significant increase in Australia's soft power assets.

### **Soft power and national brand**

The ECA long advocated for a new, truly representative national brand for Australia. We welcomed the Foreign Policy' White Paper's announcement of development of a new national brand, just as we welcomed this soft power review.

However, it is essential to look at soft power and a national brand as two sides of the same coin. While soft power is seen through the prism of foreign relations and national brand is seen through commerce, both are built on a foundation of how individuals view Australia. These individuals will hold one view of Australia, but apply it in vastly different contexts—constituents in a political system, tourists, consumers and businesspeople. It is essential they receive aligned and coherent messages.

The outcomes of this soft power review and the stronger national brand program must be complimentary. They must both align to, and support, our core national political, economic and security interests.

### **Soft power and politics**

Australia's economic, political and security relationships are becoming more complex. Historically, Australia's key economic relationships have been either with democratic allies, or with allies of allies that were also democracies. And the economic aspect of these bilateral relationships were largely separate to, or reinforcing of, other aspects of the relationships. However China's large—and growing—economic importance to Australia brings with it a more complicated relationship.

The political aspects of Australia's relationship with China have a greater potential to impact negatively on the economic aspects. It is therefore essential that a soft power strategy—and policymaking more broadly—takes a nuanced and sensitive approach that promotes Australia's principles and interests while minimising any adverse impact to the economic relationship.

It is also fundamental to recognise that Australia's domestic policy settings—particularly when they relate to transnational issues—can also significantly impact Australia's soft power. It is important for the Australian Government to better understand and factor in the international perceptions of domestic policy and the consequences for its soft power.

While Australia's principles and interests should be subordinate to international opinion, it is essential to recognise that a favourable international perception of Australia is one of Australia's enduring interests.