



2017 TRADE POLICY RECOMMENDATIONS

**A PROSPEROUS FUTURE FOR
ALL AUSTRALIANS THROUGH
INTERNATIONAL TRADE**



THE VOICE FOR AUSTRALIA'S EXPORTERS

About the Export Council of Australia

The ECA is the peak industry body for Australia's exporters and importers, particularly SMEs. With a membership base of around 1,000 and a reach of over 15,000, the ECA represents companies of all sizes and across a wide range of industries. The ECA's core activities include research, advocacy, skills development and events.

The ECA collaborates with a number of government agencies, at Commonwealth, state and territory levels, to advance the interests of its members and support SMEs. Within the Commonwealth, these agencies include the Department of Foreign Affairs and Trade, Austrade, Efic, the Department of Immigration and Border Protection, the Department of Industry, Innovation and Science, and the Department of Agriculture.

The ECA has developed, or is currently developing, a range of activities to support Australian SME exporters that are in line with our 2017 Trade Policy Recommendations and can be found in the Appendix.

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2017 TRADE POLICY RECOMMENDATIONS

“Rather than retreat to the failed policies of the past, we need to strengthen our engagement with the global economy and with the fast-growing nations in our region,” – Martin Parkinson, Secretary of the Department of the Prime Minister and Cabinet (6 October 2016).

Despite concerns about global political conditions and the sluggish global economy, multiple surveys¹ suggest Australian businesses remain optimistic about the prospects of their international operations. With new market opportunities created through Australia’s network of free trade agreements (FTAs), and the Australian dollar being close to its long term average, this outlook is understable. However, Australia’s policies need to adapt in order to counter the rise in anti-trade rhetoric and protectionist policies internationally. These policies will inevitably dampen economic growth and job creation.

THE ECA BELIEVES THAT

- 01** International trade and investment will be crucial to **securing our country’s future economic potential**. Australian jobs and economic prosperity are best created and protected over the long term through an open and competitive economic system.
- 02** With more overseas opportunities than ever before, the challenge for Australia is to **maximise the benefits of international trade and investment**.
- 03** To meet this challenge, **Australia needs more trade and investment-capable companies to engage with these opportunities**.
- 04** Maximising the benefits of international trade and investment is the shared responsibility of all levels of government, the businesses directly involved in import and export, and the businesses that support them. **Building this “trade ecosystem” requires commitment and dedication from all parties.**

This paper makes recommendations to enhance Australia’s trade and investment outcomes to benefit Australian exporters (and importers) of all sizes and across all industry sectors, with a particular focus on small and medium enterprises (SME).

The 2017 Trade Policy Recommendations build on the ECA’s 2013 recommendations (*International Competitiveness Begins at Home*), the 2014 recommendations (*Investing in Trade is Investing to Grow*), and the 2015 recommendations (*Building Capability and Capacity for Global Expansion*). Each of these papers can be accessed at <http://www.export.org.au/trade-policy/trade-policy-recommendations>.

¹For example, see *Australia’s International Business Survey 2016*. Of the 913 respondents, 78% intended to export to a new market within the next two years.

KEY RECOMMENDATIONS



RECOMMENDATION 1

The Australian Government should develop a national strategy for trade and investment that defines Australia's long-term trade objectives, sets priorities for achieving them, and outlines how industry programs contribute to achieving these objectives

RECOMMENDATION 2

Australia must invest in programs to communicate the importance of trade and investment to Australian jobs and long-term economic prosperity



RECOMMENDATION 3

Implement selected findings of Michael Lee's June 2015 review of the Export Market Development Grants (EMDG) scheme



RECOMMENDATION 4

The Australian Government must develop a cohesive national brand that can benefit a wide range of sectors

RECOMMENDATION 5

Recommendation 5: Continue to push for trade liberalisation, including by addressing non-tariff measures (NTMs), negotiating new trade agreements, and simplifying rules of origin



RECOMMENDATION 6

Invest in initiatives that support the development of Australian service exports

RECOMMENDATION 7

Prioritise and deliver a Single Window for trade that also supports the digital transformation to paperless trade

RECOMMENDATION 8

Improve access to finance for Australian companies conducting international business



RECOMMENDATION 9

Continue to support investment into the Aid for Trade initiative



Recommendation 1: Develop a national strategy for trade and investment that defines Australia's long-term trade objectives, sets priorities for achieving them, and outlines how industry programs will be deployed to support efforts to achieve these objectives.

In 2015, the ECA published the *Advancing Trade Development* report.² This report highlighted the trade promotion activities offered by 10 of Australia's key export competitors, including the United States, United Kingdom, New Zealand, and Singapore.³ Based on international best practice, the ECA is calling for the Australian Government to develop a national strategy that sets Australia's medium to long-term objectives and framework for advancing trade development.

A national strategy clearly articulating Australia's trade and investment objectives would help align the strategic direction and activities of organisations involved in servicing Australia's international business community: Commonwealth, State and Territory governments, industry associations and professional service businesses. The Committee for Economic Development of Australia (CEDA) echoes the call for a broader trade strategy. It previously argued for a national trade strategy that includes options for multilateral, bilateral and non-discriminatory reductions in trade barriers; a component that looks to the future development of Australia's trade liberalisation measures; and appropriate governance protocols as part of the FTA approval process.⁴

Improving the direction and support for SMEs to engage internationally would significantly improve the performance of these businesses, in turn creating jobs and enhancing national prosperity.

The national strategy would cover:

- 1 | The government's objectives for international trade.
- 2 | A long-term plan to maintain community support for trade and investment, to reinforce the understanding that they are key to sustainable economic growth and rising living standards.
- 3 | Strategic initiatives to build Australia's service exports.
- 4 | Better coordination between government agencies with which businesses interact when involved in trade and investment (e.g. the Department of Foreign Affairs and Trade (DFAT), Austrade, the Export Finance and Insurance Corporation (Efic), Treasury, the Department of Industry, Innovation and Science (DIIS), the Department of Agriculture and Water Resources (DAWR), and the Department of Immigration and Border Protection (DIBP)).
- 5 | An analysis of international trade and investment training and skills programs available, ensuring businesses can build the capabilities to engage internationally. Where support is missing, it would need to be developed.⁵
- 6 | The development of new initiatives to encourage innovative industries and companies to internationalise and grow.
- 7 | An analysis of the infrastructure gaps and bottlenecks that are holding back Australian business competitiveness.
- 8 | Improving the coordination of Australia's international marketing activities to raise our trade and investment profile.
- 9 | The development of key performance indicators to measure progress against objectives, enhancing transparency and accountability.
- 10 | A plan to communicate the strategy to Australian businesses.

A steering group chaired by the minister for Trade, Tourism and Investment would oversee the development and implementation of this strategy. This group would comprise representatives from State and Territory governments,⁶ peak industry groups and the business community, with a particular emphasis on representatives from SMEs. This will ensure key stakeholders help shape the strategy, buy into it, and work collaboratively toward long-term success for Australian trade. The strategy's agenda should inform Infrastructure Australia's priorities.



² Export Council of Australia (2015), *Advancing Trade Development: A Study into International Trade Promotion report*.

³ See Appendix A1 for a summary of the six key recommendations made by the ECA in the *Advancing Trade Development: A Study into International Trade Promotion report* (2015).

⁴ Committee for Economic Development of Australia (2016), *Global Networks: Transforming How Australia Does Business*, p13. http://adminpanel.ceda.com.au/FOLDERS/Service/Files/Documents/28469-GlobalNetworks_researchreport.pdf

⁵ For statistics on how Australian businesses rate the importance of training and skills development to engaging in international trade, see Appendix A2.

⁶ In 2012, Austrade created a forum for engagement between senior officials of Austrade, DFAT and State and Territory trade agencies. In 2014, the then Trade and Investment Minister, the Hon. Andrew Robb, created a forum for trade and investment ministers to engage.

Recommendation 2: Australia must invest in programs which communicate the importance of trade and investment to Australian jobs and long-term economic prosperity.

“A study of 40 countries found that the richest consumers would lose 28% of their purchasing power if cross-border trade ended, but those in the bottom tenth would lose 63%.”- The Economist⁷ Newspaper.

The growing international popularity of mercantilist policies represents a real risk to free trade.⁸ The ECA believes that a well-informed community debate is essential to combat the discourse around resistance and fear of free trade, and rebuild support for international trade and investment.

This can be supported by:

- 1 | Sponsoring a long-term campaign directed at the general community to highlight that trade and investment greatly benefit consumers and workers, and that the worse-off benefit far more from trade than the rich. This could be addressed by connecting with media outlets to communicate examples of how trade helps the less wealthy in the community, such as through enabling a wider variety of products, cheaper prices and improved travel opportunities.

The ECA is planning to promote the benefits of trade to the wider community through its upcoming ‘Trade in a Day Campaign’. The Campaign aims to promote the importance of international trade by showing how imports and exports benefit the lives of everyday Australians.
- 2 | Explaining to the public that where industries are declining, and employees are being displaced, it is due to technological changes, not trade. The government should reinforce that retreating to protectionism will cost jobs, not save them, and that international trade will be the path to the jobs of the future. These jobs will capitalise on new services and technologies that meet the evolving requirements of businesses and consumers. In doing this, the government should support targeted educational programs that are linked to industry networks, as well as programs aiming to provide new mid- and later-career opportunities for those whose jobs become displaced.
- 3 | Providing resources to schools that enable student involvement and learning about the nature, benefits and processes of trade and investment.
- 4 | Assisting the expansion of programs such as the Australian Export Awards and the ECA’s Australian Export Heroes to showcase those who are building Australia’s economic future, and inspire young people to imagine new services, products and industries.
- 5 | The Australian Government more actively asserting its rights when other countries violate trade agreements, to the detriment of Australia. This would demonstrate to the Australian public that the international trading system is not rigged, and is fundamental to protecting Australia’s interests.

⁷ ‘Anti Globalists: Why they’re wrong’, *The Economist*, October 1 2016, <<http://www.economist.com/news/leaders/21707926-globalisations-critics-say-it-benefits-only-elite-fact-less-open-world-would-hurt>>.

⁸ See Appendix B1.

Recommendation 3: Implement selected findings of Michael Lee's June 2015 review of the Export Market Development Grants (EMDG) scheme.

“The EMDG scheme is one measure that helps small and medium-sized businesses become profitable, sustainable and competitive through exports.”⁹

In 2014, Australia’s then Minister for Trade and Investment (Andrew Robb) appointed Michael Lee to call for submissions and undertake a review of the EMDG scheme.

Michael Lee’s subsequent EMDG report shows a strong return for the money invested in the scheme. *“KPMG found that each EMDG dollar generates an economic benefit of \$7.03 when industry spillovers and productivity gains are taken into account. The scheme effectively redistributes productive resources from Australian taxpayers (including firms) to new and emerging exporters. To the extent that this transfer of resources results in an increase in community welfare than would otherwise be the case, the scheme can be judged to be efficient.”*

The ECA sees the value of increasing the EMDG budget allocation for SMEs. Access to the scheme reduces uncertainty for SMEs and increases export confidence.¹⁰

This can be supported by:

- 1 | Progressively increasing the EMDG budget allocation by \$12.4 million per year over the next three years, up to a total of \$175 million (EMDG Recommendation 6).
- 2 | Augmenting Austrade’s budget with a new amount equivalent to 5 per cent of the EMDG administered funds, thus freeing up the entirety of the EMDG funding (currently \$137.9 million) for export promotion grants (EMDG Recommendation 6.1).
- 3 | Funding of approximately \$8.5 million to upgrade Austrade’s IT system (EMDG Recommendation 6.2) should be reinvested to incorporate EMDG into the Single Window for trade.



⁹ “Certainty and Confidence: Exports and Jobs for a Changing Global Economy.” Michael Lee.

¹⁰ See Appendix C for evidence of how the EMDG scheme supports Australian exporters.

Recommendation 4: The Australian Government must develop a cohesive national brand that can benefit a wide range of sectors

Australia has a national interest to ensure the people of key countries see Australia as a trusted partner and desirable destination. They must see Australia as a destination where they want to live, work or study, somewhere they want to buy products and services from, and an important partner for their businesses and governments.

But despite their importance to our future prosperity, Australia spends a small amount of resources marketing itself to them. And worse, it sends mixed messages.

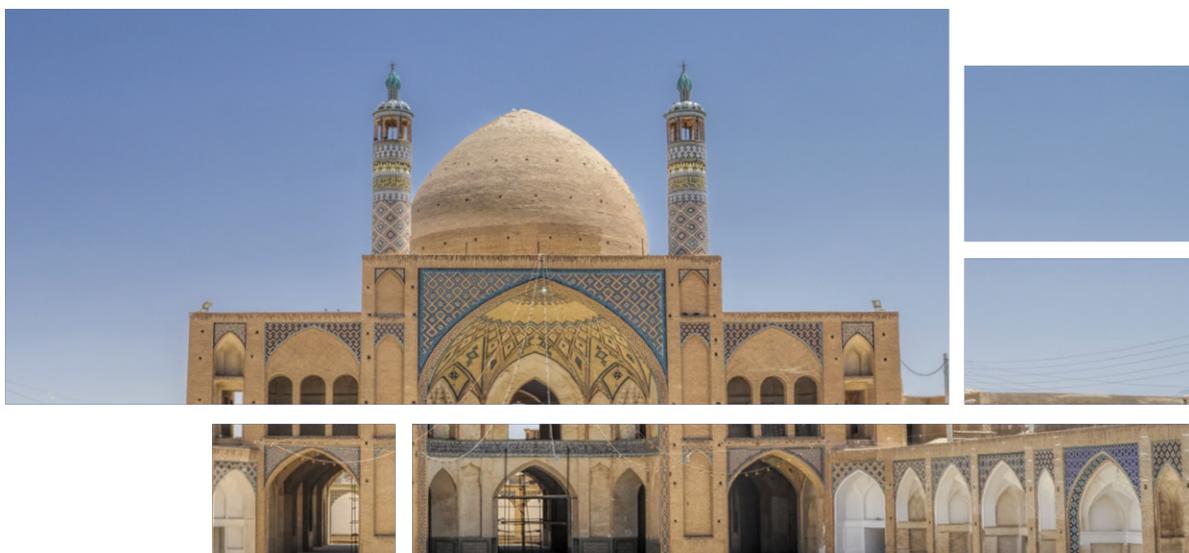
To communicate Australia's messages most effectively, there needs to be one clear overall image of Australia—a brand—the government is trying to promote. A national brand should aim to shape perceptions of Australia in a way that supports our key priorities, and be flexible enough to emphasise each of these priorities at different times. Examples of attributes that would capture all of our priorities could include sophistication, dynamism, multiculturalism, friendliness and safety.

While development can only be led by government, the priority for the brand should be the needs of Australian businesses. Since foreigners will have the greatest engagement with Australia as consumers—consuming our food, wine, cosmetics, travel, education, and other goods and services—the brand should prioritise engaging them as consumers.

A national brand should position Australia to attract foreign investment and talent. Given the global economic uncertainty arising in 2016 through anti-globalisation shifts in several major markets, Australia has a window of opportunity internationally to position itself as a beacon of open trade and investment. With an open, democratic medium-sized economy, strong institutions, a vibrant multicultural society, FTAs with its major trading partners and close proximity to Asian markets, Australia can and should make a compelling case.

This can be supported by:

- 1 | Undertaking a consultation and research process to find common ground between key industries and secure their buy-in.
- 2 | Developing a national brand that achieves a balance between those industries that rely on the attributes for which Australia is traditionally known (e.g. tourism and agriculture), and those industries that need to emphasise attributes for which Australia is underappreciated (e.g. manufacturing, services and investment)
- 3 | Ensuring all Australian Government agencies responsible for promoting Australia implement the brand, and there is a whole-of-government commitment to using it—from the Prime Minister down
- 4 | Enabling businesses to leverage the brand for commercial objectives by providing tool-kits.



Recommendation 5: Continue to push for trade liberalisation, including by addressing non-tariff measures, negotiating new bilateral and plurilateral trade agreements, and simplifying rules of origin

Prioritise addressing NTMs:

Non-Tariff Measures¹¹ (NTMs) can significantly increase the cost of doing business internationally.¹² As bilateral and plurilateral free trade agreements lower tariffs, NTMs become a more prominent barrier to trade. The reason that NTMs are so damaging is their opaque nature and their costs that compound along the multiple points of a supply chain.

The ECA acknowledges that some NTMs serve legitimate public policy objectives, such as environmental protection and consumer safety, and that distinguishing between legitimate measures and protectionist measures can be difficult.¹³ However, as tariff barriers continue to fall, NTMs are becoming an increasingly important issue that needs to be adequately addressed.

This can be supported by:

- 1 | Work with businesses and peak bodies to address NTMs by:
 - a | systematically capturing data on NTMs;
 - b | prioritising which NTMs to address in which markets;
 - c | better educating SMEs on what NTMs are, how to raise them with government and what they can do to overcome them.

The ECA is working on a mechanism to enable businesses to easily record and report the NTMs they encounter in international markets. This would improve both government and industry's visibility and their ability to address these barriers in a timely manner. It would use case studies and shared experiences to improve skills and understanding. Capturing this highly valuable information can help enhance Australian companies' understanding of our trading partners' NTMs to develop plans to manage them for export success. We are seeking close collaboration with the government on this.

- 2 | Provide additional training to government staff in key markets to help identify and understand NTMs that can be addressed.
- 3 | Ensure key trade departments such as DFAT, DAWR and DIIS are allocated adequate funds and staff to proactively address NTMs in markets facing prohibitive and prevalent NTMs.
- 4 | Leverage provisions in FTAs to drive the harmonisation (or mutual recognition) of standards in key priority markets and sectors. This can be achieved by prioritising and resourcing key programs/activities in this area. Examples would be for Australia to prioritise driving international mechanisms to align technical regulations, standards, testing and certification procedures in compliance with the World Trade Organization's (WTO) Technical Barriers to Trade (TBT) and their Sanitary and Phytosanitary Measures (SPS) Agreements.
- 5 | Australia's preference should be to ensure our domestic standards are only developed in accordance with international best practice and that existing standards are revised where there is conflict. In instances where Australian standards differ, there must be a strong rationale and the government and/or standards bodies must quantify and communicate the costs of these different standards to business and the community.
- 6 | Australia should seek to lead the development of global standards where possible. For example, Australia can lead the way in driving common standards for aspects of the digital economy. As part of the digital transformation of industries, emerging trends include rapidly evolving cyber security and protection issues, as well as countries looking to increase their sovereignty of data hosting. Australia should continue to invest in leading the way for cyber security best practice.

Australia should show leadership by working with our trading partners to identify and resolve NTMs which exist in our own country.

Negotiating new trade agreements

In looking to promote export success, Australia must actively seek to engage in the WTO to support and strengthen the multilateral trading system:

This can be supported by:

- 1 | Finalise Australia's accession to the WTO Government Procurement Agreement.
- 2 | Push for the conclusion of the Trade in Services Agreement and Environmental Goods Agreement as soon as possible.
- 3 | Support other WTO member countries with the ratification and implementation of the Trade Facilitation Agreement as part of the Aid for Trade agenda to ensure that the benefits of the Trade Facilitation Agreement are achieved.
- 4 | Educate businesses, especially SMEs, to make them aware of the opportunities the agreements create.

Australia must advance trade liberalisation by continuing to actively pursue new FTAs and other international trade agreements which prioritise the interests of SMEs and deal with behind the border barriers.

This can be supported by:

- 1 | The ECA supports the principles and commitments behind the Trans-Pacific Partnership (TPP). Since the TPP cannot come into effect due to the withdrawal of the United States, the ECA supports pursuing a revised agreement between the remaining TPP parties with whom Australia has already agreed new commitments. As well as simplifying rules of origin across these parties, Australian exporters, importers, investors and consumers would additionally benefit from greater access to TPP parties with which Australia does not currently have FTAs: Mexico, Peru and Canada. Should a revised TPP not be feasible in the short term, the ECA alternatively supports seeking new and revised bilateral FTAs with the TPP parties based on text agreed in the TPP.
- 2 | Australia must continue to actively participate in driving the conclusion of the Regional Comprehensive Economic Partnership (RCEP) negotiations.
- 3 | Australia must continue to pursue additional FTAs with partners in the Indo-Pacific Region, the European Union and the Pacific Islands.
- 4 | In the wake of Brexit, Australia should forge stronger economic ties with the United Kingdom. The ECA supports pursuing a bilateral trade agreement when the time is right.¹⁴
- 5 | The ECA recommends ongoing funding to support the recent investment into developing online tools (the DFAT Free Trade Agreement Portal) and the recent grant scheme. These initiatives help SMEs to better understand and navigate FTA opportunities and may encourage businesses to better utilise FTAs.
- 6 | Improve the consultation process in trade negotiations by working closely with a select number of SMEs and industry associations during FTA negotiations. DFAT should aim to give them an in-depth understanding of what is on the table and how these potential outcomes could benefit business. In turn, this would help DFAT better understand what could offer the greatest real-world wins. It would also mean there was a pool of industry representatives that could help champion the FTA outcomes, explaining the wins in a way other businesses understand.
- 7 | Continue to promote the benefits arising out of the FTAs to Australian exporters to encourage better utilisation of the agreements.¹⁵

Simplify preferential and non-preferential rules of origin

Authorised Certificates of Origin (CoOs) cost between \$12 and \$55 per certificate, they may need to be couriered to and from the authorisor, and they take time to process.

It is even confusing for exporters to work out what CoO template to use. An increasing number of bilateral and regional preferential trade agreements contain overlapping and inconsistent provisions for preferential Rules of Origin (RoO). The lack of a harmonised approach to non-preferential RoO means there is no international instrument to handle documentary evidence in the domain of non-preferential origin. This has impeded efforts to make advanced determinations on the origin of goods.

To minimise red tape for exporters, Australia should seek to move from authorised CoOs to self-certification. If this is unlikely to happen in the short term, in the interim the government should lower costs by enabling a competitive marketplace for certification. It should put in place steps to streamline processes, increase consistency and transparency, and reduce the costs imposed on exporters.

Australia should have a long-term goal of reducing the burden of complying with FTAs by simplifying preferential RoO requirements, as well as harmonising non-preferential RoOs.

This can be supported by:

- 1 | Internationally advocate for the recognition of self-certification to reduce the regulatory burden on businesses. Although these exist under some trade agreements, they could ultimately be applied more broadly to non-preferential CoOs. In the absence of the introduction of a self-certification system, there should be a 'lighter touch' approach to regulation in this area to reduce the compliance burden on exporters and simplify the processes and procedures involved.
- 2 | Advocate for globally harmonised non-preferential RoOs, making them internationally consistent to distinguish between significant and insignificant transformation. Globally harmonised rules of origin, applied consistently, would offer significant benefits to companies doing business internationally. The International Chamber of Commerce (ICC) is calling on countries to stop rolling out non-preferential RoO and is encouraging them to conclude the WTO agreement on RoO. The ECA fully supports the ICC on this issue.
- 3 | Work with the World Customs Organization (WCO) and under the Trade Facilitation Agreement to encourage international acceptance of electronic CoOs and other forms of origin certification. The wider use and acceptance of electronic CoOs would be more cost-effective and efficient for companies. Integrating the certification system with a countries' Single Window platforms could also maximise the efficiency of the electronic system.
- 4 | Educate international buyers and border management on the current regulatory requirements and RoO and CoO requirements of their country, to help reduce incorrect and out-of-date practices. One way this may be achieved is through the introduction of an International Certified Trade Professional Program that governs trade professionals and ensures that importers and exporters are regularly trained on global trade practice.
- 5 | Ensure existing and new trade agreements adhere to the International Convention on the Simplification and Harmonization of Customs Procedures (the Revised Kyoto Convention).
- 6 | Creating a competitive market place for CoOs. The fact that only a few organisations are authorised to issue CoOs means little competition and higher costs. If CoOs continue to be required, increasing the number of authorisers to issue non-preferential certificates would make the market more competitive, leading to lower costs and greater accessibility for exporters.

¹¹ For a detailed outline on Non-Tariff Measures (NTMs) and the different types of NTMs exporters are likely to encounter in international markets, see the break-out box in Appendix D1.

¹² See Appendix D2.

¹³ International Trade Centre, "Understanding non-tariff measures", <http://www.intracen.org/itc/market-info-tools/non-tariff-measures/>, (accessed 8 August, 2016).

¹⁴ For statistics on the UK as an export market of choice for Australian business, see Appendix D3.

¹⁵ For statistics on the loss of revenue from underutilised FTAs, see Appendix D4.

¹⁶ For information on the administrative burden and costs imposed on exporters in the absence of a harmonised approach to non-preferential RoOs, see Appendix D5.

¹⁷ See Appendix D6 for a case study with Adelaide-based eCertify.

Recommendation 6 Invest in initiatives that support growth in Australia's service exports

Trade in services is an important part of global trade. In 2015-16, Australia's services exports were valued at \$74.2 billion, worth just over one-quarter of goods exports.¹⁸ However, services account for over 70% of Australia's economy.¹⁹ Given the importance of this sector to the Australian economy, more needs to be done to facilitate growth in service exports.

This can be supported by:

- 1 | Research to identify and quantify additional service sector export opportunities in the future.²⁰ This will enable more targeted support to be provided and improve our understanding of the Australian services industry. Example sectors could include financial technology (fintech), scientific research and consumer services (e.g. hospitality and healthcare).
- 2 | Establishing hubs (similar to industry growth centres) for service sectors. Priority should be given to less developed service sectors that have the most potentially lucrative opportunities to engage with international markets. This focus should include:
 - Agricultural equipment, technology and services;
 - Healthcare, wellness and aged care;
 - Professional, scientific and technical services.These service industry hubs would develop strategic initiatives to help build growing and internationally connected sectors. In addition, the hubs would provide a platform that links companies and entrepreneurs, enabling them to share experiences, contacts and research.
- 3 | Ensuring major service sectors (e.g. legal, healthcare, professional and business services, hospitality and retail) have champions within government that advocate on their behalf. They are at a disadvantage to other sectors in the economy: tourism,²¹ international education, manufacturing²², agriculture and resources that have dedicated bureaucratic support in various agencies.
- 4 | Providing additional support and advice to businesses in the services sectors that are confronting challenges in exporting and improving the capability of Australian companies, particularly SMEs.²³ This could be done by investing in and expanding Austrade's trade development focus to provide greater support for services.
- 5 | Improve statistics on trade in services. There is currently insufficient data available from the Australian Bureau of Statistics on the value of Australian service exports, including no data on sales by foreign affiliates (crucial in service exports). Adequate data capture would enable a better understanding of the importance of service exports.

¹⁸ ABS Table 5368.01, *International trade in goods and services, seasonally adjusted and trend estimates*.

¹⁹ World Bank, *Services, etc., value added (as a % of GDP)*.

²⁰ See Appendix E1

²¹ See Appendix E2

²² See <https://industry.gov.au/industry/Pages/default.aspx>

²³ See Appendix E3 for the findings from AsiaLink's 'Growing Knowledge Economies' report.

Recommendation 7: Prioritise and deliver a Single Window for trade that also supports the digital transformation to paperless trade.

In line with the provisions set out by the WCO in the Revised Kyoto Convention, the ECA strongly advocates for a Single Window facility for trade. Given the advancements by the private sector in developing technology platforms to facilitate electronic trade, this needs to be a solution that will be flexible enough to adapt to changing technology. Australia has a major opportunity to be a global leader by building a Single Window platform that facilitates paperless trade.²⁴

This will initially complement rather than immediately replace existing systems and platforms and it must meet the following criteria:

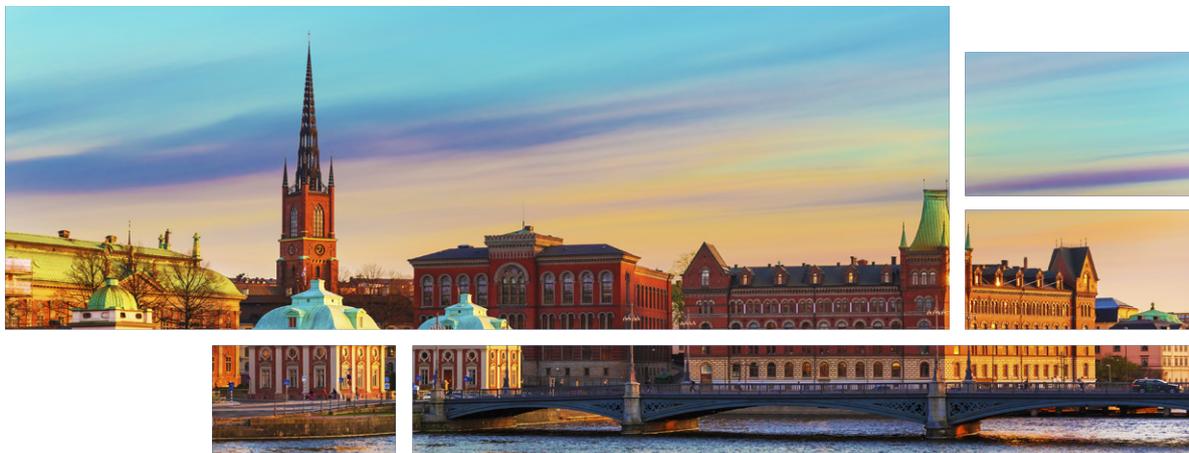
- Coordinating with industry and the private sector as they look to develop new technologies to enhance the digitisation of trade;
- Enabling long-term efficiencies between Commonwealth, State and Territory government departments and other bodies, such as ports, transport providers, importers and exporters;
- Developing a one-stop portal for information and advice on import and export procedures and processes;
- Incorporating Austrade (Export Market Development Grants) and Efic (export finance) for grant and financing approvals.

Australia must meet its future commitments under the WTO Trade Facilitation Agreement.²⁵ This includes the Single Window as a key step toward simplifying and harmonising international trade procedures to assist the movement of goods in Australia.

This can be supported by:

- 1 | Continuing to support and invest in the development of a Single Window as outlined above. Australia needs to lead this trend rather than sit back and follow.
- 2 | Investment to improve freight movement efficiency from regional areas by targeting key infrastructure projects to reduce metropolitan congestion and freight costs. The ECA supports such investments, because improving Australia's transport logistics and connectivity is vital to facilitating trade.²⁶
- 3 | Developing a national freight and supply chain strategy in line with the recommendation in the Australian Infrastructure Plan, which is comprehensive and consistent across all States.²⁷

After developing a best-practice Single Window that supports the digital transformation to paperless trade, Australia should look to lead standardisation of the way international governments recognise and engage with paperless trading.



²⁴ See Appendix F1 for the estimated value of the introduction of a Single Window facility.

²⁵ See Appendix F2

²⁶ For the estimated costs of traffic and congestion to Australia's business community, see Appendix F3.

²⁷ For modelling on how improving Australia's logistics performance and supply chain efficiency would boost the economy, see Appendix F4.

Recommendation 8: Improve access to finance for Australian companies conducting international business.

According to Australia's International Business Survey (AIBS) 2016, Australian organisations conducting international business overwhelmingly rely on debt funding from business credit cards to finance their activity in overseas markets.²⁸ The absence of (or limited access to) finance can significantly inhibit SME development.²⁹

Addressing export finance for SMEs:

The ECA supports the change of Efic's mandate to support SMEs. Once the parliament passes the *Export Finance and Insurance Corporation Amendment (Support for Commonwealth Entities) Bill 2016* which would allow Efic to lend for export trade, there should be a stocktake of Efic and the banks' offerings to small businesses. The aim should be to ensure the issues SMEs face in accessing finance for international trade are being addressed.

This can be supported by:

- 1 | A stocktake of financial products available to SME exporters to ensure there are no gaps in funding requirements. This should be done by Efic or an independent third party in collaboration with representatives of the major financial institutions. While a number of the major banks provide specific trade and supply chain finance options, access to this mechanism is often limited. In many cases, funding is not approved due to the higher levels of risk involved in international supply chain finance. The review should include government, business and finance stakeholders. It should seek to examine both the options for financing international trade, along with a consideration of the barriers and risks involved.
- 2 | Undertaking an international benchmarking study to review the support export credit agencies in other countries are providing to their businesses. This study should be made publicly available.

Helping SMEs invest internationally

Outbound foreign investment is important for Australian SMEs. There is a direct link between internationalisation and increased SME performance. International activities provide diversification which is important for growth, enhancing competitiveness, and supporting the long-term sustainability of SMEs.

Research in the United States³⁰ and the European Union³¹ shows that companies that have invested overseas create more jobs, pay higher wages and are more innovative than companies with a purely domestic focus.

It is particularly important for sectors that cannot easily adopt a traditional export model, including many services as well as manufacturing operations for goods which generally cannot be exported due to high transportation costs or barriers to trade. For manufacturing operations, a presence overseas can increase their participation in global value chains.

FTAs are enabling Australia to achieve strong economic integration with trading partners across the Asia-Pacific region. Australian companies with overseas operations strengthen their ability to compete with foreign competitors operating in Australia, thereby promoting their long-term sustainability.

This can be supported by: continued...

- 1 | Quickly passing the *Export Finance and Insurance Corporation Amendment (Support for Commonwealth Entities) Bill 2016*, to allow Efic to lend support to Australian export trade. Efic will be able to lend to businesses setting up overseas sales offices (particularly important for services sectors) as well as businesses selling directly to consumers (particularly important for e-commerce and tourism). However, the government must ensure that any support Efic provides to Commonwealth entities does not take money or resources from the support it already provides SMEs.

This can be supported by: continued...

- 2 | Establishing a “standing” cross-department task force to focus on the removal of unnecessary regulatory barriers to SMEs investing overseas. Part of the remit of the taskforce will be to address confusion with Commonwealth, State and Territory regulation. The taskforce must also ensure regulation supports the establishment of new business models.
- 3 | Considering outbound foreign investments by Australian SMEs as linking to global supply chains to take advantage of new business models enabled by technology. Further funding should be directed toward Austrade to promote and support targeted programs for Australian companies to engage with global supply chains and these changing business models.



²⁸ For further information on the funding restrictions facing Australian businesses, see Appendix G.

²⁹ World Trade Organisation (2016) “Trade Finance and SMEs: Bridging the gaps in provision”, https://www.wto.org/english/res_e/booksp_e/tradefinsme_e.pdf, (accessed 10 August, 2016). For more statistics on the challenges facing SMEs seeking access to finance, see Appendix 6.

³⁰ “The Benefits of International Investment.” U.S. Chamber of Commerce.

³¹ “SME Internationalisation beyond the EU.” European Commission.

Recommendation 9: Continue to support investments in Aid for Trade.

SMEs drive economic growth, promote job creation and foster innovation in the global economy. In many economies, SMEs account for a significant percentage of Gross Domestic Product (GDP) and form an important source of government revenue.

Given the contribution made by SMEs to job creation, policies that foster their growth can help raise incomes and reduce poverty in developing countries. Supporting developing countries to trade and prosper will ultimately benefit Australia's trade and investment opportunities.

This can be supported by:

- 1 | Developing initiatives targeted at building the knowledge and capacity of entrepreneurs and SMEs in developing countries and Least Developed Countries (LDC) to do business across borders.
- 2 | Facilitating engagement between the private sectors of developing countries and Australia, particularly between SMEs, to enhance business connections and allow the sharing of expertise and good practice.
- 3 | Focusing on strengthening domestic champions of trade in developing countries, including by building the capacity of relevant industry bodies to undertake research and engage their governments on the need for reform to encourage trade.
- 4 | Utilising trade and investment agreements as a platform to help developing countries advance and reform their policies and regulations. Assistance under such agreements should seek to directly benefit SMEs.



Appendix A

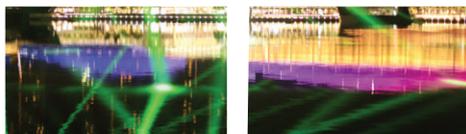
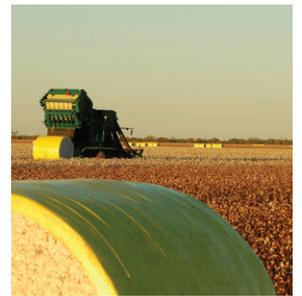
Developing a National Strategy for trade and investment

A1 The ECA published the *Advancing Trade Development* report in 2015 which provided six key recommendations for Australia under a National Plan for Trade:

- 1 | Increase support for training and skills development in international trade to increase Australia's capability.
- 2 | Increase targeted support for high-potential companies (those with the capacity, capability and appetite) to internationalise and grow, including expanding financing options and the greater involvement of diplomatic representation where appropriate.
- 3 | Create online resources and programs that are easily accessible, user friendly and current.
- 4 | Ensure the performance of Australia's trade programs and services are measured and there is independent analysis of the outcomes of the National Plan for Trade.
- 5 | Improve engagement with Australia's international business network.
- 6 | Coordinate a brand strategy for Australian trade.

A2 The Australian International Business Survey ('AIBS') is commissioned by the Export Council of Australia with support from Austrade and Efic. AIBS provides detailed information on the demographics of Australian businesses engaging with the global economy, barriers to market access and domestic impediments hampering international competitiveness.

In the 2016 survey, AIBS reported that 'understanding market compliance and risk' was nominated by 78% of respondents as being moderately or very important when targeting their first foreign market. Respondents also considered information about local customs and procedures, international pricing, IP and trademark protection, local economic and political conditions and local agents or other contacts to be important knowledge.



Appendix B

Communicating the benefits of trade and investment

B1 In a report titled 'G20 trade restrictions reach highest monthly level since crisis'³² (21 June 2016), the WTO warned that the rise in anti-trade rhetoric internationally, coupled with growing protectionism, could further dampen trade flows with knock-on effects for economic growth and job creation.



³² https://www.wto.org/english/news_e/news16_e/trdev_21jun16_e.htm

Appendix C

EMDG Scheme

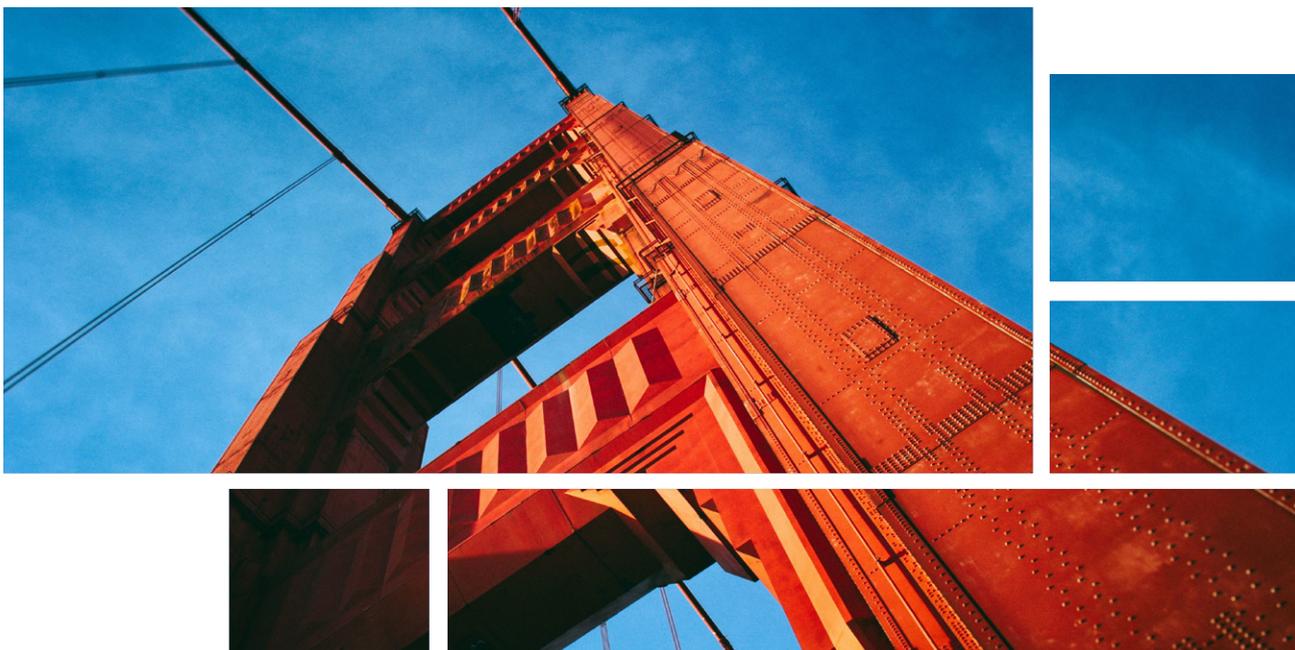
Support for the EMDG scheme and evidence of its positive impacts are well documented. Austrade notes that 94 per cent of EMDG grant recipients reported that their grants helped them become more sustainable exporters.³³ Australia's International Business Survey (AIBS) 2015 indicates that from a pool of 1,237 exporters, 45 per cent had received an EMDG in the past. Of those, 63 per cent state that it was 'very important' to their international marketing efforts, while a further 31 per cent state it was 'moderately important'.

The 2015 Review of the EMDG scheme concluded the grants helped exporters create, develop and expand their markets overseas. Furthermore, economic analysis conducted by consulting firm KPMG as part of the 2015 Review found that:

- EMDG is effective in conferring a net benefit on the Australian economy and community.
- The scheme increased community welfare by \$58 million due to its inducement effect in terms of increased exports.
- The welfare gain rises to \$193 million when the survey-based positive spillovers to other firms (i.e. firms other than the EMDG claimant) are taken into account, and to \$644 million when survey-based productivity effects are also taken into account.
- Each EMDG dollar generates an economic benefit of \$7.03 when industry spillovers and productivity gains are taken into account.

In the 2014-15 grant year, there were 3,195 applicants for grants and 3,137 EMDG recipients, which was an increase on the previous year by 18 per cent and 28 per cent respectively. The EMDG budget has remained unchanged at \$137.9 million since 2013-14. An increase in demand in the number of applications resulted in a shortfall in funding in 2013-14 and 2014-15 (see Table 1). For the 2014-15 grant year, 1,737 businesses (59 per cent of all recipients) received their full grant entitlement up to the initial payment ceiling of \$40,000. As demand for grants was higher than available funds, the remaining 1,232 businesses with an entitlement greater than the initial payment ceiling received their initial payment of \$40,000 and balance of their grant at 72.66 cents in the dollar.

The ECA believes that ensuring that the scheme is fully funded and thus provides greater certainty to new and existing applicants should be a top priority. Therefore, in order to promote confidence in the scheme, and in line with the recommendations in the 2015 EMDG Review, the ECA continues to call for EMDG funding to be increased to \$175 million.



³³ Austrade, Annual Report 2014-15, <https://www.austrade.gov.au/About/Corporate-Information/AnnualReport>, (accessed 9 August, 2016).

Table 1. EMDG Funding 1997 - 2017

Financial Year	Budget (\$m)	Applications Received	Initial Payment Ceiling Amount (1st Tranche maximum payout)	2nd Tranche Payout Factor	Number Affected by Low Payout
To mid-1997*	Uncapped	-	N/A	100c	0
1997-98	150.0	3,251	\$60,000	100c	0
1998-99	150.0	3,389	\$60,000	98.94c	n/a
1999-00	150.0	3,261	\$60,000	100c	0
2000-01	150.0	3,214	\$60,000	100c	0
2001-02	150.0	3,391	\$60,000	75.62c	n/a
2002-03	150.4	4,164	\$50,000	32.84c	n/a
2003-04	150.4	4,022	\$50,000	74.52c	n/a
2004-05	150.4	3,588	\$70,000	100c	0
2005-06	170.4	3,765	\$70,000	100c	0
2006-07	160.4	3,813	\$70,000	100c	0
2007-08	156.9	4,247	\$40,000	24.4c	870
2008-09	200.4	4,472	\$50,000	100c	0
2009-10	200.4	5,149	\$27,500	73.94c	1,366
2010-11	150.4	4,585	\$50,000	56.7c	1,894
2011-12	150.4	3,277	\$60,000	100c	0
2012-13	125.4	3,045	\$60,000	100c	0
2013-14	137.9	2,715	\$60,000	100c	0
2014-15	137.9	3,195	\$40,000	65.28c	821
2015-16	137.9	3,321	\$40,000	72.66c	1,231
2016-17	137.9	3,537	\$40,000		

Source: Austrade Annual Reports, EMDG Appropriation Bills, Austrade website

* Prior to 1997, the scheme funding was not capped.

Moreover, the ECA supports administrative changes that improve efficiency (such as upgrading the out-dated IT system) and discourage over-claiming. Such changes will free up funding and promote confidence. Funding for the administration of the EMDG scheme should be additional to the amount allocated for payments to eligible businesses. The ECA also hopes that if a Single Window for trade is developed, EMDG applications could be processed through the platform.

Non-Tariff Measures and other impediments to trade

D1

What are Non-Tariff Measures (NTMs)?

NTMs are deliberate and incidental measures applied by countries, other than tariffs, which can restrict imports. However, it is rare that NTMs only impact foreign companies; they can also inhibit innovation and growth in the home market. Two major types of NTMs that impact upon Australian exporters are:

- **Sanitary and Phytosanitary (SPS)** measures, which include import, inspection, certification, audit and testing requirements relating to food safety.
- **Technical Barriers to Trade (TBT)** measures, which include requirements such as labelling, registration, product composition, testing and quality assurance (beyond SPS).

The Australian Government raises concerns about SPS and TBT issues through WTO committees that allow member countries to discuss specific trade concerns and the implementation of the SPS and TBT Agreements.

D2 A 2016 report by the WTO stated:

“Between mid-October 2015 to mid-May 2016, G20 economies applied 145 new trade-restrictive measures, or an average of almost 21 new measures a month. In the same period, G20 economies implemented 100 measures aimed at facilitating trade, averaging just over 14 per month. Since 2009, G20 countries imposed a total of 1,583 trade restrictive measures, and only a quarter of these measures have been removed. These restrictions cover over 6 per cent of all G20 imports and 5 per cent of global imports.”³⁴

In the food sector, the Australian Food and Grocery Council's International Trade Report on NTMs facing Australia's agri-food exports identifies that NTMs have been increasing over the past decade in the following ways:

- Growth markets, particularly in Asia, have been increasing the range, level, sophistication and coordination of NTMs.
- For established markets, particularly in Europe and North America, there has been an observed push to entrench their domestic approaches to food regulation and standards into international trade.

Dairy Australia commissioned a report in 2014 to review the technical requirements of import markets and identify technical barriers affecting the sector. The report found that technical barriers in China cost the industry \$190 million a year and the total impact of all NTMs on the Australian dairy sector was estimated to be \$1.57 billion annually. This is significant given that in 2014/15, a total of \$2.5 billion worth of dairy product was exported from Australia.³⁵

Other sectors (including manufacturing and services) can also be significantly impacted by NTMs. Examples of NTMs encountered by Australian companies include:

- Regulations that are not transparent and not applied equally to local and imported products.
- Unreasonable delays in granting a business license due to red tape and changing regulations.
- Severely limiting port access for some perishable goods.
- Constantly changing regulations regarding the registration and evaluation of chemical material.

Non-tariff measures applied at home can also act as barriers and cause bottlenecks, hampering Australia's international competitiveness. This sentiment is echoed by the Australian Meat Industry Council³⁶. In its submission to the Department of Agriculture and Water Resources' 'Independent Review of the Meat Export Program Cost Base', the Australian Meat Industry Council reported that the annual costs facing the meat industry exceeded \$85 million in order to raise a health certificate for each shipment.

D3 When AIBS 2016 respondents were asked to nominate their top and second top export market, the UK was ranked fourth and first respectively.

D4 This is reflected in KPMG modelling released in October 2016 which reported that “Australian merchandise exporters who underutilise FTAs will miss out on at least AUD 14 billion of potential trade revenue over the next five years.”³⁷

D5 Harmonisation of Rules of Origin

Globally harmonised rules of origin, applied consistently, offers significant benefits to companies doing business internationally.

The lack of a harmonised approach to non-preferential RoO means there is no international instrument to handle documentary evidence in the domain of non-preferential origin. This contributes to the administrative burden and costs imposed on exporters.

The failure to harmonise non-preferential RoO has impeded efforts to make advanced determinations of the origin of countries goods. This is because countries often apply a number of different RoO which results in the inconsistent determination of RoO.

The International Chamber of Commerce (ICC) is calling on countries to stop rolling out non-preferential RoO and is encouraging them to conclude the WTO agreement on RoO. The ECA fully supports the ICC on this issue.

D6 Local case study: eCertify

In Australia, electronic certificates of origin are issued by Adelaide-based eCertify. eCertify has around 20,000 users across the United States, Canada, New Zealand, Singapore, Norway and Sweden (about three quarters of its customers are based in the United States). It plans to expand its global reach.

Some countries use different software platforms and the key is to make sure the various systems can interact.

eCertify raised four main issues:

- 1 | International platforms: most countries do not have the online electronic system for generating CoOs.
- 2 | Compatibility across platforms: for those countries that do have electronics platforms, it is important that they can “speak” to each other.
- 3 | Adoption by freight forwarders: there have been issues in the past with the larger freight forwarders not opting to use the online certification model. Given that most companies outsource their export documentation functions to service providers (such as a freight forwarder), it is important they are encouraged to use the online systems available.
- 4 | Expanding functionality: expanding the functionality of eCertify and other electronic certification systems to allow other certification providers (such as Halal certifiers) to process their certificates through one platform.

Deconstructing origin rules to find the most beneficial way to qualify a product is a challenging and time-intensive task, but it can be simple and practically instantaneous if you use software. Solutions put forth by eCertify and supported by the ECA include:

- Developing a global site that breaks down CoO requirements;
- Establishing a global database which identifies the legal requirements of each country. This would increase transparency and help to highlight areas of inconsistency between policy and practice.

³⁴ World Trade Organisation, WTO report: “G20 trade restrictions reach highest monthly level since the crisis”, https://www.wto.org/english/news_e/news16_e/trdev_21jun16_e.htm, (accessed 8 August, 2016).

³⁵ ABC News (2015), <http://www.abc.net.au/news/2015-12-03/regulations-costing-australian-exporters-billions-each-year/6996058>, (accessed 9 August, 2016).

³⁶ Australian Meat Industry Council (May 2016), Submission to the Department of Agriculture and Water Resources in Response to The Independent Review of the Meat Export Program Cost Base

³⁷ KPMG, Access Asia: Leveraging Free Trade Agreements for Australian Trade Growth, (October 2016).

Investing in the growth of Australia's services sector

- E1** The tourism sector is an example of an area of emerging opportunities for the export of goods and services, particularly in the Asia Pacific region. In 2015, there were 1.2 billion global arrivals that generated US\$1.4 trillion in total export value.³⁸ Australia has capability in developing tourism destinations globally. Austrade is exploring these opportunities by delivering the first ever mission on 'tourism destination development' under Indonesia-Australia Business Week.
- E2** The ECA notes that in delivering the Tourism 2020 strategy, Austrade has been acting to ensure that key industries that comprise the tourism sector (including hospitality) have been consulted during its development and subsequent delivery. This includes ongoing consultation with key industry associations that represents the sub-sectors of tourism (including hospitality). The ECA also recognises that in the Tourism 2020 strategy there is strong advocacy across several areas that benefit the hospitality industry. These include responding to labour and skills challenges to improve the competitiveness of the industry; broader regulatory reform in areas such as improving access for firms to government programs, visas, and investment; investment attraction, aviation and tourism grants. The ECA advocates for the continued support of the tourism sector to facilitate the growth of service exports.
- E3** AsiaLink's 'Growing Knowledge Economies' report, which investigates the opportunities available to Australian legal and management consulting companies, identifies knowledge and experience, understanding local business culture and building brand recognition as being critical to success in some Asian markets.³⁹



³⁸ World Tourism Organisation, "Exports from international tourism", 6 May 2016, <http://media.unwto.org/press-release/2016-05-03/exports-international-tourism-rise-4-2015>

³⁹ Asialink Business (2016), "Growing Knowledge Economies, Insights for Australian Professional Services in Asia".

A Single Window for trade

- F1** The South Korean Customs Service estimates that introducing its Single Window generated roughly \$USD 18 million in benefits in 2010. Singapore's Single Window was created in 1989 and brings together more than 35 border agencies, providing significant productivity and monetary gains.⁴⁰

In a survey conducted in July/August 2016 by the ECA with the support of the Australian Chamber of Commerce and Industry, 88.5 per cent of respondents indicated that a Single Window would be very useful (71.4 per cent) or somewhat useful (17.1 per cent) to their business. Respondents also stated that determining compliance requirements, completing documentation for an export/import permit, and delays in the approval/issuance of an export/import permit by a government department in Australia were the three greatest regulatory burdens they encountered.

- F2** The Trade Facilitation Agreement contains provisions for expediting the movement, release and clearance of goods, including goods in transit. It also strongly encourages countries to establish a Single Window for trade as stipulated in Section I, Article 10 (4) where it states:

Members shall endeavour to establish or maintain a single window, enabling traders to submit documentation and/or data requirements for importation, exportation, or transit of goods through a single entry point to the participating authorities or agencies. After the examination by the participating authorities or agencies of the documentation and/or data, the results shall be notified to the applicants through the single window in a timely manner.

- F3** With Australia's population set to reach 35 million by 2050, it is crucial that infrastructure development keeps pace with demand. In particular, improving soft and hard infrastructure is critical for Australia's international business community because it impacts on their ability to compete at home and abroad. 63 per cent of Australia's International Business Survey (IBS) 2014 respondents indicated that domestic transport/freight costs were an important factor impacting their international competitiveness.

According to the Bureau of Infrastructure, Transport and Regional Economics (BITRE), Australia's freight task is projected to increase by 80 per cent between 2010 and 2030, highlighting the magnitude of the challenge. The Australian Infrastructure Audit claims that without action, Australia's productivity and quality of life will be under significant pressure, with population and economic growth set to cause increasing congestion and bottlenecks.

Results from the BITRE study into traffic and congestion reveal that the avoidable cost of congestion for Australian capital cities is estimated to be around \$16.5 billion for the 2015 financial year, an increase from \$12.8 billion in 2010. This comprises \$6 billion in private time costs, \$8 billion in business time costs, \$1.5 billion in extra vehicle operating costs and \$1 billion in extra air pollution costs. Using 'business-as-usual' predictions, the cost is estimated to rise to around \$30 billion by 2030.⁴¹ As highlighted by the Australian Logistics Council (ALC), the ramifications of congestion are that it stifles efficiency and increases costs.⁴²

- F4** An Australian Logistics Council study⁴³ showed that a 1 per cent increase in logistics efficiency would boost GDP by \$2 billion.

⁴⁰ United Nations Economic Commission for Europe, *Trade Facilitation Implementation Guide, Single Window for Trade*, <http://tfig.unece.org/contents/single-window-for-trade.htm>

⁴¹ Department of Infrastructure and Regional Development, 'Traffic congestion cost trends for Australian capital cities', 2015, http://bitre.gov.au/publications/2015/files/is_074.pdf

⁴² Australian Logistics Council and ACIL Allen Consulting, *The Economic Significance of the Australian Logistics Industry*, 2014, <http://austlogistics.com.au/wp-content/uploads/2014/07/Economic-Significance-of-the-Australian-Logistics-Industry-FINAL.pdf>

⁴³ *ibid*

Appendix G

Improving access to finance for Australian companies

According to AIBS 2015, roughly a third of the companies that had approached a financial institution in the last three years to expand their international business did not receive the funding they needed. That figure increased to almost half for small exporters. Research by the WTO supports this finding, suggesting that globally over half of trade finance requests by SMEs are rejected, against just 7 per cent for multinational companies.⁴⁴ AIBS 2015 also found that a large minority of smaller exporters could do more international business if sufficient finance was forthcoming⁴⁵.

A recent example is exporters seeking finance to conduct business operations with Iran. While there has been much hype surrounding the dropping of sanctions and the ensuing business opportunities, Australian exporters are struggling to access finance for dealings with parties in Iran despite the fact they pass Australia's sanctions tests allowing them to trade. Australia's major banks refuse to lend and will not allow clients access to trade finance, placing these businesses at a significant disadvantage compared to their competitors from countries such as Japan and Germany that can access funding. This is predominantly because Australia is following the United States' lead and Australian banks are not willing to risk breaching United States' sanctions. In order to reduce this impediment facing Australian businesses looking to trade with Iran, the Government should negotiate Australia's position with the United States and provide some assurance to the financial sector.

According to AIBS 2016, 59 per cent of respondents found that sourcing debt finance for international business opportunities was difficult (33 per cent) or very difficult (26 per cent), compared to sourcing finance for domestic business opportunities (Figure 1).

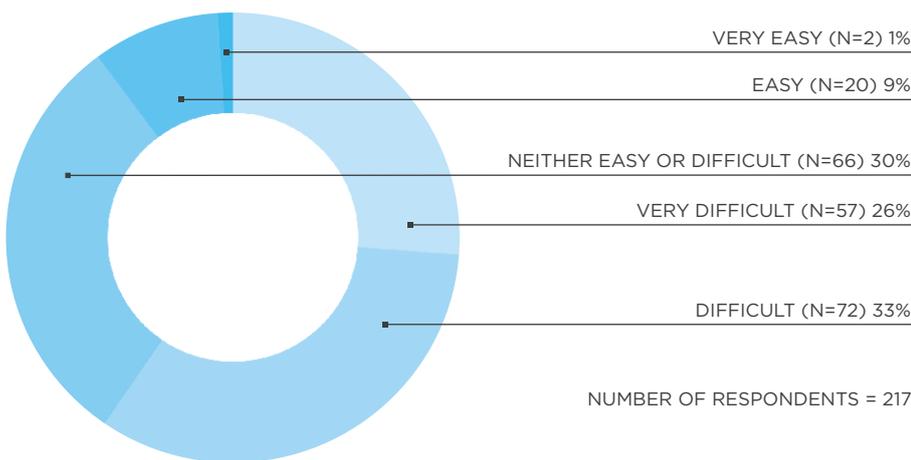


Figure 1. Ease of sourcing debt finance for international business opportunities compared to domestic business opportunities

Moreover, AIBS 2016 found that for those businesses that sought debt financing, the most important source for financing domestic operations that service overseas markets was business credit cards, followed by overdrafts and trade finance from domestic banks (Figure 2). Respondents who reported they were unsuccessful in obtaining financing indicated a variety of reasons for this outcome, but the most common reason was insufficient security.

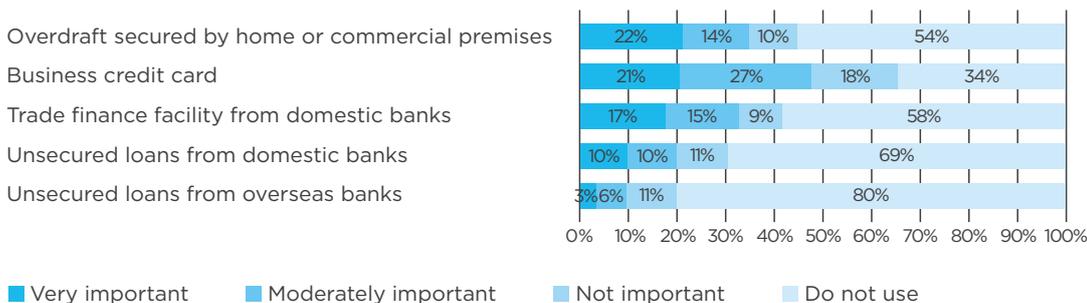


Figure 2. The most important sources of finance for domestic operations that service overseas markets

⁴⁴ World Trade Organization (2016) 'Trade finance and SMEs: Bridging the gaps in provision' via <https://www.wto.org/english/res_e/booksp_e/tradefinsme_e.pdf>

⁴⁵ EFIC (2015) 'New survey: access to finance an ongoing challenge for Australian exporters' via <<https://www.efic.gov.au/news-events/media-releases/2015/august/new-survey-access-to-finance-an-ongoing-challenge/>>

Appendix A: ECA activities to support Australia's SME exporters

Export training for SMEs

For over 60 years the ECA has educated Australian businesses on international trade. Through practical education and training, the ECA has helped thousands of companies to develop the business skills that have enabled them to succeed internationally.

Export Awards and Export Heroes

The ECA showcases Australia's top exporters by running Export Awards programs for NSW, Qld and WA, as well as running its own Export Heroes Awards program.

The Export Awards is a national program that recognises and honours Australian companies engaged in international business who have achieved sustainable growth through innovation and commitment. The awards measure businesses against their peers based on the strength of their international growth, marketing and financial strategies.

Australian Export Heroes Awards recognise individuals who have made an outstanding contribution to building Australia's position and performance in international trade. Export Heroes are the champions of Australia's export community, having contributed to building modern export enterprises and helping to further develop a uniquely Australian export culture.

Australia's International Business Survey

In 2014, the ECA launched a longitudinal survey, Australia's International Business Survey (AIBS), with Austrade and Efic. The 2014 survey captured data on the international business activity of over 1600 Australian exporters. It was the most comprehensive investigation into Australia's international business activity in more than 15 years. There have been annual AIBS surveys since 2014, with the 2017 survey going to field early 2017.

Advancing Trade Development report

This report examined the export-oriented trade promotion services offered by public agencies in some of the world's largest exporting nations. It highlighted the programs the governments of these countries offered and the contributions these programs made to international best practice. It made recommendations about how Australia could improve its support for exporters.

Export research

The ECA has delivered many large-scale research projects, usually in collaboration with public bodies or private industry. We focus on both specific areas related to trade—such as free trade agreements and their impact—as well as broader topics, such as on market-based opportunities.

Non-tariff measure portal

The ECA is planning to develop a portal to help Australian exporters to overcome non-tariff measures (NTMs). As Australia's growing FTA network reduces tariffs, NTMs become more prominent barriers to trade. The NTM portal will collect and analyse data on the range and frequency of NTMs. It will provide Australian companies resources, information and linkages to help overcome NTMs, and allow government to prioritise which NTMs to address

Campaign promoting the importance of trade

In 2017, the ECA intends to launch a campaign to strengthen support in Australia for open trade. The campaign will highlight to everyday Australians how central trade is to their daily activities.



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