



Election 2016: The ECA's Priorities for Trade

Ahead of the upcoming Federal Election, the Export Council of Australia (ECA) is calling for government to address issues pertinent to its members and the broader international trade community. We hope to see these recommendations reflected in the elected Government's trade policy agenda moving forward.

The ECA believes the Australian Government needs to focus on long-term strategic policies that promote two-way investment, open doors for Australian companies in international markets, improve the competitive landscape here at home, and leverage best practice in trade promotion.

Strategic investment can be used to effectively assist companies looking to take advantage of the many global opportunities that are being created through Australia's liberalising trade agreements.

Free Trade Agreements

a) FTA Utilisation

Australia's International Business Survey (IBS) 2015 reveals that there are significant knowledge gaps in the international business community around Free Trade Agreements (FTAs) that need to be addressed if the agreements are going to be fully leveraged.

The Joint Standing Committee on Treaties' report on the China-Australia Free Trade Agreement (ChAFTA) states that to take full advantage of ChAFTA, and other FTAs, Australian business and industry must be provided with the education and support required to understand, navigate and comply with the FTAs' complexities. Moreover, following the inquiry into business utilisation of Australia's FTAs, the Joint Select Committee on Trade and Investment Growth's report notes that while the business community supports the government's pursuit of FTAs, potential reforms to improve awareness of their advantages could help improve businesses' ability to benefit from the Agreements.

Both the FTA Tool developed by the ECA in conjunction with the with ANZ Bank, and content partner Hunt and Hunt Lawyers, and DFAT's FTA portal are helping to fill these knowledge gaps by offering businesses easy to understand insights into Australia's FTAs and their specific benefits. Further benefits could arise if DFAT's FTA portal was expanded to cover all existing FTAs, not only the North Asian FTAs. The ECA is pleased that a further \$1.8 million over four years has been allocated in the 2016 federal budget to enhance the online FTA portal but feels this is insufficient to deliver the desired outcomes.

Recommendation:

- Provide sufficient funding to expand DFAT's FTA portal to cover all existing FTA's in 2016/17.

b) FTAs under negotiation

The ECA's preference is for trade liberalisation to occur on a multilateral basis but we also see benefit in continuing to promote greater international trade and investment flows through bilateral, regional and plurilateral FTAs that benefit Australia.



The ECA supports the continued commitment to secure trade agreements with India, Indonesia and the EU, which will add to Australia's expanding network of bilateral FTAs. Moreover, the ECA encourages the swift conclusion of the plurilateral and regional agreements that are currently under negotiation.

In particular, the ECA would like to see the conclusion of the Trade in Services Agreement (TiSA) in 2016. Australian service providers stand to benefit significantly from TiSA with the current parties involved in negotiations, particularly the European Union and the United States. Looking to the future, the ECA strongly hopes that TiSA will set a high standard for further liberalisation and accession, particularly in regards to Australia's significant trading partners in our region without compromising on the high quality of the agreement.

Recommendations:

- Push for conclusion of the agreements announced at the last WTO Ministerial meeting in Nairobi.
- Push for the conclusion of TiSA in 2016 so the benefits of the agreement can be realised as soon as practicable.
- Push for the conclusion of Australia's accession to the WTO Government Procurement Agreement in 2016.

Non-Tariff Barriers

There has been much progress opening up market access opportunities with Australia's key trade partners through FTAs. However, often non-tariff barriers to trade can undermine these hard-fought achievements, which has the potential to significantly impact on the competitiveness of Australian exporters.

As recognised in the Joint Standing Committee on Treaties' report on ChAFTA, non-tariff barriers (NTBs) will continue to present the biggest impediment for many sectors wishing to take advantage of ChAFTA.

In the agrifood sector, the AFGC's International Trade Report on NTBs facing Australia's agri-food exports identifies that NTBs have been increasing over the past decade. Growth markets, particularly in Asia, have been increasing the range, level, sophistication and coordination of NTBs. 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.

A collective effort is needed to improve business' awareness of how to report NTBs and clarity around how they can be dealt with by government. This could include developing a more coordinated approach to how NTBs complaints are reported and responded to. To enable effective progress to be made on removing these barriers, however, DFAT and DAWR need to be adequately resourced. The ECA also believes new mechanisms should be explored to capture data on the NBTs Australian businesses are encountering to help direct support to where it is needed most.



Recommendations:

- Focus more resources on addressing NTBs to trade. This should include adequately resourcing DFAT and DAWR to enable effective progress to be made on removing these barriers.
- Explore new mechanisms to allow companies to report NTBs and better communicate how they might be addressed through government-to-government channels.

Australia's Competitive Landscape

a) Infrastructure

Improving soft and hard infrastructure is critical for Australia's international business community in part because it impacts on their ability to compete at home and abroad. Indeed, 63 per cent of Australia's International Business Survey (AIBS) 2014 respondents indicated that domestic transport/freight costs were an important factor impacting their international competitiveness.

The government's commitment to invest \$50 billion in infrastructure between 2013/14 and 2019/20 for roads, rail, airports and dams is a welcomed development. Now the governments at both the federal and state level should allocate appropriate resources to continue to promote and explain the infrastructure priorities outlined in the National Infrastructure Plan, with the aim to encourage corporate Australia to respond, fund and deliver projects/opportunities and build community support.

Recommendations:

- Improving freight movement efficiency from regional areas in order to reduce metropolitan congestion and freight costs should be a priority.
- The recommendation in the National Infrastructure Plan for a national freight and supply chain strategy should be a genuinely comprehensive strategy crossing borders.

b) Innovation

The ECA is encouraged to see the elevation of the importance of innovation to the Australian economy in public debate. Our prosperity as a nation will result from an economy driving innovation and productivity increases.

The recently released National Innovation Science Agenda (NISA), is a welcome step forward. The ECA believes the initiatives announced as part of the NISA, including insolvency law reforms, international landing pads, and programs to help facilitate connections between business and research institutions and promote collaboration, will assist Australian businesses reach their innovation potential.

However, as outlined in the Australian Innovation and Manufacturing (AIM) Incentive Group's submission to this inquiry, enhancing research and innovation collaboration is only one part of an effective system. It is important that the Global Innovation Strategy, and the NISA more broadly, is closely aligned with the government's international trade support programs so as to more seamlessly assist companies from the R&D phase through to international commercialisation and global growth. This will help turn the 'ideas boom' into an export boom.

The ECA strongly believes that existing programs, such as Accelerating Commercialisation, delivered by AusIndustry, and the R&D Tax Incentive need to be maintained, adequately funded



and integrated into the Government's NISA, which, as mentioned previously, should be aligned with the government's international trade support programs.

Recommendation:

- Consider developing a “patent box” style initiative—consistent with the G20-OECD guidelines in relation to Base Erosion and Profit Shifting—to provide a concessional tax rate on profits derived from qualifying Intellectual property (IP) that has an Australian nexus.
- Align the government's innovation and trade support programs and strategies will assist companies in taking their cutting-edge ideas, and launching them internationally.
- Maintain and adequately fund the pathways from R&D to commercialisation to allow Australian companies to successfully realise the benefit of shared investment in R&D.

c) Deregulation

The deregulation agenda should remain a priority, particularly in the agricultural sector. While the opportunities for the agricultural sector have been well documented, a multi-layered network of complex regulatory barriers continue to impose costs on agricultural exporters, detracting from their international competitiveness. According to the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES), at the federal level Australian farmers are governed by approximately 90 Acts administered by the Department of Agriculture and Water Resources.¹ As highlighted in the National Farmers' Federation's (NFF) recent submission to the Productivity Commission inquiry into the regulatory burden on farm businesses, “this figure does not include regulation that is common across all business types and industries. Farm business are also impacted upon by regulation administered at a jurisdictional level.” In Queensland, for example, farm businesses are regulated through over 55 Acts and Regulations covering over 9,000 pages, which is in addition to local government by-laws, associated codes and Federal legislation.²

Recommendation:

- Maintain a continued focus on the deregulation agenda in Australia, particularly in the agricultural sector.
- Expand the number of authorising bodies permitted to provide Certificates of Origin, to create a more competitive marketplace.

Single Window for Trade

As recommended by the 2015 B20 Trade Taskforce, the ECA believes that the Australian Government should create a single window for trade. This is defined by the United Nations Economic Commission for Europe as, “a facility that allows parties involved in trade and transport to lodge standardised information and documents with a single entry point to fulfil all import, export, and transit-related regulatory requirements.” Many countries already have a single window for trade including the US, New Zealand, Mexico, Singapore and South Korea. Implementing such a facility could serve to improve trade facilitation by simplifying procedures and formalities for document submission and data collection saving government and business time and money, as highlighted in the ECA's 2015/16 Trade Policy Recommendations.

¹ ABARES (2013), Review of Selected Regulatory Burdens on Agriculture and Forestry Businesses.

² National Farmers' Federation (2013), Issues Paper – Red Tape in Australian Agriculture.



The ECA is pleased the government is looking to undertake a feasibility study for the adoption of a single window in Australia, which we hope will lead to the implementation of the platform.

Recommendation:

- Undertake a feasibility study for the adoption of a single window for trade in Australia and allocate adequate funding for its implementation, which the ECA believes the feasibility study will support.

Export Market Development Grant

The ECA strongly supports the EMDG scheme, which since its introduction in 1974, has proven to be an effective industry development initiative. Ensuring that the scheme is fully funded to provide greater certainty to new and existing applicants should be a priority for government. The number of claims has increased by four per cent this year, while the funding has remained unchanged, which could be problematic.

The ECA supports the recommendations put forward in the Review of the Export Market Development Grant (EMDG) Scheme entitled, *Certainty and Confidence: Exports and jobs for a Changing Global Economy* (the EMDG Review), published 30 June 2015. In particular, we recommend that funding be allocated in the federal budget for specific initiatives, such as upgrading the IT system, as outlined in the EMDG Review.

Recommendations:

- That the budget allocation for EMDG be progressively increased by \$12.4 million per year over the next three years (2016-2017 to 2018-2019) to \$175 million (EMDG Recommendation 6).
- That the government augment 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).
- That separate provision, in addition to the EMDG administration budget and grant amounts, be made for replacement of, or upgrades to, Austrade's IT system (EMDG Recommendation 6.2). The ECA recommends that an amount of roughly \$8.5 million dollars be allocated to the IT system upgrade.

A National Brand

There are numerous government (federal and state), as well as industry brands used in the promotion of Australian goods and services abroad, which can be coordinated for greater impact (see attached branding paper). Australia needs a strong, cohesive branding strategy, taking advantage of state, federal and industry brands, to position ourselves effectively internationally and clearly communicate our capabilities and competitive advantages.

Recommendation:

- Austrade should receive additional funding to the amount of \$10 million over 3 years to continue development and implementation a coordinated brand strategy for Australia—in consultation with industry—as supported by the Tourism Minister Richard Colbeck.



Trade Promotion

The ECA is of the view that one of Austrade's important functions is the support it provides to businesses through its international network, offering market intelligence and connections on the ground, as well as the badge of government to help open doors for companies.

It is pleasing to see the government's commitment of \$5.3 million over four years to re-open an Australian Trade and Investment office in Tehran, Iran. The office will assist Australian businesses looking to take advantage of the commercial opportunities in this new market now that previous sanctions have been suspended.

Despite this, the ECA believes Austrade has reduced its international trade and export footprint over recent years as its charter has expanded to include investment attraction, tourism and international education. Its international 'footprint' and country resource allocation have increasingly been focused on investment promotion and Asian markets.

The remaining trade activity around assisting exporters and access to supply chains has prioritised Asian and South Asian markets. Feedback from our members suggests that traditional trade promotion activities supporting exports, including services exports, have been severely cut back across the US and throughout Europe.

Australian exporters need the support of experienced Austrade trade professionals in the US and parts of Europe. Our members experience and Austrade's records demonstrate the return on investment for 'in country' export assistance and both the US and Europe are a priority for Australia's 'high end' and services exporters.

Opportunities that will flow from the recently signed Trans-Pacific Partnership Agreement (TPP) highlight the need for reinvestment in Australian Government trade support for companies in the US. The additional resource invested in the US market when the Australia-United States FTA was signed delivered results and return on investment; a similar investment to support the TPP should be considered.

The ECA believes the trade focus has also been lost from Austrade in Europe. Additional resources to focus on export opportunities should be restored to the office in London. A second priority would be to restore resources based in Germany working with exporters, including service exporters, in the advanced manufacturing, medical technology and aviation sectors.

Moreover, the ECA believes the government should allocate additional resources for trade promotion activity in priority markets outside of Asia, including in Latin America and Africa, where a return on investment can be demonstrated. Africa is the second fastest growing region in the world behind Asia, and has enjoyed an annual average growth rate of more than 5 per cent over the past decade. By 2020 it is estimated that 128 million Africans will have disposable income, and by the middle of the century Africa will have the largest workforce in the world. Australia's trade focused footprint in the continent is small compared to our peers and should be expanded to reflect Africa's increasing importance.

Opportunities enabled by the recently negotiated TPP also highlight the need for additional locally based staff in Mexico, in order to facilitate inward investment and promote trade, particularly in key growth sectors, such as energy, mining and METS, agriculture and advanced manufacturing. Similarly, consideration should be given to increasing the allocation of resources to Austrade offices



in Peru and Canada—two countries party to TPP with which Australia does not currently have a trade agreement.

Recommendations:

- Austrade should receive additional funding to the amount of \$25 million over 3 years for trade promotion activity and resourcing in priority markets outside of Asia.

Services Exports

The service sector is of vital importance to the Australian economy and services exports have the potential to be a growth engine for the nation. Currently, services employ 85% of Australians, represent 78% of industry value-add, yet comprise only 20% of Australia's total exports.

'Services' is a term that applies across multiple sectors and does not always speak to the needs of specific services businesses. Each services sector has specific requirements/challenges and a nuanced view on services that deals with the specifics of various sectors is needed. The macro requirements of services regulation and the micro needs of specific services industries need to both be considered in public dialog.

Recommendation:

- Trial a tailored service export support program, initially focused on priority sectors and key markets, and then integrating common elements into a wider services platform.

National Plan for Trade

As stated in the ECA's 2015/16 Trade Policy Recommendations, our organisation strongly supports the creation of a National Strategy that sets Australia's medium to long-term framework for advancing trade development. A National Plan for trade should then be developed and involve a broad consultative group consisting of representatives from government, peak industry bodies and the business community in setting the priorities and policies for trade. As highlighted by the Committee for Economic Development of Australia in a recent report, a clear vision is needed to improve public debate.

The ECA understands that the Trade and Investment Ministers Meeting is the key forum for setting national trade and investment priorities. This is supported by the more operationally focussed Senior Officials Trade and Investment Group and the Trade and Investment Policy Advisory Council. However, in creating the National Plan for Trade it is important to involve a broad consultative group consisting of representatives from government, peak industry bodies and the business community.

Recommendation:

- Develop a National Strategy and Plan for Trade, in consultation with a broad range of stakeholders, that sets Australia's medium to long-term framework for advancing trade. The priorities for advancing trade could be debated during a national trade and investment planning day in Canberra.

The ECA hopes these recommendations are useful and we look forward to providing further information if so desired. The profiles of those involved in preparing this letter are included on the following page for your interest.



Export Council of Australia

The Voice for Australia's Exporters

Sincerely

A handwritten signature in black ink, appearing to read 'D. Tipping', with a stylized flourish at the end.

Dianne Tipping
Chair
Export Council of Australia

A handwritten signature in blue ink, appearing to read 'Andrew Hudson', with a long, sweeping horizontal stroke at the end.

Andrew Hudson
Director
Export Council of Australia

A handwritten signature in black ink, appearing to read 'Lisa McAuley', with a stylized, cursive script.

Lisa McAuley
CEO
Export Council of Australia



Profiles

Andrew Hudson

Director and Chair of the Trade Policy Committee

Andrew is a Partner in the Corporate Advisory & Tax team at Gadens in Melbourne, specialising in International Trade & Customs. Andrew is a regular presenter at industry forums on legal and trade developments and media commentator on such legal and trade developments.

Andrew practices in the area of commercial law with a focus on customs and international trade. He has provided legal services to all parties involved with industry, including importers, exporters, customs brokers, freight forwarders, shipper and trade financiers. This has involved advice and actions seeking judicial and administrative review of the actions of various government agencies including the Department of Immigration and Border Protection (Customs), the Department of Agriculture and Water Resources the Department of Export Controls, the Office of Transport Security, the Department of Foreign Affairs and Trade and the Australian Taxation Office (ATO).

He has provided advice covering all aspects of trade ranging from international trade conventions, arbitrations to resolve disputes, trade financing options, commodity and freight contracts to dealing with inquiries and prosecutions by Customs and other Government agencies in such matters as dumping and alleged underpayments of customs duty, alleged breaches of licence conditions by service providers such as licensed customs brokers together with all related litigation.

Andrew also represents the ECA on a number of consultative bodies established by the agencies governing the movement of goods and services across the border.

Areas of Expertise:

- Customs Regulations
- International Relations
- International Trade Law
- Corporate & Commercial Law
- Dispute Resolution
- Intellectual Property
- Transport

Qualifications:

- Bachelor of Arts (University of Melbourne)
- Bachelor of Laws (University of Melbourne)
- Admitted to practice in April 1988

Dianne Tipping

Chair

Dianne has spent over 35 years handling export transactions and during the early years worked for two large multi-nationals and later after opening her own company in 1982 worked with the same multi-nationals and others handling their export matters. Companies that she has dealt with since 1982 are still valued as part of her client base.



During the past 20 years Dianne has spent a great deal of time working with the Export Council of Australia and various other non-government and government agencies to teach and encourage exporters to achieve their global ambitions in a safe and secure way. Dianne is Chairman of the Education Committee.

As senior lecturer for the Export Council of Australia, she has had experience working with exporters and Government personnel in promoting the globalisation of Australia's export potential.

Paul Cooper

Deputy Chair

Paul joined the Board of ECA in 2013 is Deputy Chair and chairs the Finance Committee.

Paul is an owner and the Director of an industrial electronics manufacturing company called Rinstrum. Rinstrum is based in Brisbane and has subsidiaries in the United States, Germany, India and Sri Lanka. Rinstrum exports to most parts of the world, either through its subsidiary operations or via its distributors in key markets.

Rinstrum manufactures components for industrial weighing applications, such as weighbridges, concrete batching and packaging industries.

Paul Cooper is a qualified accountant and was the founding partner in the accounting firm Cooper Reeves based in Brisbane until his retirement from the full time position in 2011.

Paul has served on a number of boards including as a director of CPA Australia which is the largest professional accounting body in Australia and was the Board's Chair of Finance and a former President of the Queensland Division of CPA Australia.

Paul is also a director of Children's Health Queensland and is chairman of the Audit and Risk Committee, Director of Advanced Manufacturing Growth Centre Ltd and Vadain International, which is a custom-made curtain manufacturer with its head office in the Netherlands.

Barbara McGeoch

Director

Over the last ten years, Birkdale has built an extensive global network of suppliers to ensure that it can be competitive and meet the diverse and demanding requirements of clients markets throughout Asia and the Middle East. This encompasses complex logistical and quarantine management in supplying a diverse range of plants from seedlings up to large 12 metre high mature trees and palms from multiple countries, and training staff from other cultures to meet the exacting requirements of high profile clients.

Barbara is a director of the Queensland Air Freight Council, member of Women Chiefs of Enterprises International and past member of other national and state industry bodies.

In 1995, Birkdale received a Federal Government Citation for Export Achievement for its outstanding contribution to Australia's export efforts. Barbara also received an Australian Export Heroes Award in 1999 for her contributions to the Australian export industry and in 2002 was awarded Entrepreneur of the Year in St. Petersburg by Femmes Chefs d'Enterprises Mondiales of which Women Chiefs of Enterprises International in Australia is affiliated.



Over the last 15 years she has endeavoured to assist exporters by speaking at numerous Australian and international events on the challenges and complexities involved in developing export markets.

Philip Marley

Director

Previously, he was the State Manager of South Australia and Northern Territory for Gerling NCM, now known as Atradius, a global company that specialises in credit insurance and credit management.

His role as past president of the International Trade Association of South Australia and his 12 years experience as the Regional Director of South Australia & Northern Territory for Export Finance & Insurance Corporation have given him a wide depth of knowledge in trade policy and export management.

Philip Marley is also a Fellow of the Export Council of Australia and both a member of the Australian Institute of Company Directors and the Australian Arab Chamber of Commerce & Industry.

In his spare time, Philip Marley loves to travel, being a regular business visitor to China, HK, Singapore, India & Indonesia. Philip has been director of the Export Council of Australia since 2011.

William Hutchinson

Director

Since joining Thomas Electronics in 1986, William has been instrumental in the transformation of Thomas Electronics into an international leader in cockpit display systems, and a leading supplier of defence systems, simulation and technology support. With a 56 year record of product innovation and reliability, Thomas Electronics' customers include major defence forces and prime contractors, over 50 international airlines, MROs and electronics OEMs.

William is a member of the National Executives of the Australian Industry Group (AiGroup), the AiGroup Defence Council and the Export Council of Australia. He was recently awarded an Australian Export Heroes Award for achievements in developing Australian export business. This award was presented by the Governor-General in Canberra in August, 2010.

William graduated in Chemical Engineering from the University of Sydney in 1975 and subsequently worked in a variety of process industry roles with Colgate Palmolive, Corn Products Corporation and Exxon. Products Corporation and Exxon.

Lisa McAuley

Chief Executive Officer

Lisa McAuley, Chief Executive Officer of the Export Council of Australia (ECA), has worked in international trade for over ten years. Lisa's current term as CEO has seen the organisation focus on ground-breaking research and advocacy projects that place the global competitiveness of Australian SMEs at the heart of all the ECA's projects. Lisa's passion for international trade and respected voice in the industry puts her on the AmCham Trade Advisory Group and the Board of CargoHound.



In the last two years alone Lisa has passionately overseen the drive for the launch of research and product development initiatives that have benefited Australian companies engaged in International Business.

In 2016, Lisa is overseeing the re-launch of new education programs, services and product that build the capability and capacity of companies to grow internationally.

Positions:

- Board Member, Yuluma Holdings
- Board Member, Cargohound
- Advisory Council Member, AmCham
- Trade Policy Committee Member, Export Council of Australia

Peter O'Byrne

Chair, National Advisory Board, Export Council of Australia

Member, advisory boards of International Governance and Performance Research Centre (IGAP), Macquarie University Centre for the Health Economy, and South Asia Forum.

As a professional Company Director, Peter is widely involved in Australia's commercial engagement around the world at a policy and service delivery level. His board roles have included the Australian Trade Commission (Austrade), the Export Finance and Insurance Corporation (Efic), the NSW Export and Investment Advisory Council, the Australia India Business Council, Australian Hearing Services and Reckitt & Colman subsidiaries across Asia.

Peter's executive roles have included Managing Director of Austrade, Chief Executive of Australian Hearing Services (including the National Acoustics Library), Regional Director of Reckitt & Colman Asia as well Strategy Director, Reckitt & Colman PLC. He has worked in London, Jakarta and Singapore, as well as Australia.

Stacey Mills-Smith

Trade Policy and Research Manager

Stacey graduated from the University of Queensland with a Bachelor of Economics and a Bachelor of Arts. Following her graduation, she worked for PricewaterhouseCoopers in their Economics and Policy division. Later, her interest in international trade saw her join Trade and Investment Queensland as a business analyst and gain international experience working in Santiago, Chile.

Stacey joined the Export Council of Australia in 2013 and is currently the Trade Policy and Research Manager. In this role she works with industry and government to advance the interests of Australian businesses engaged in international trade. Stacey has a special interest in trade and development issues in Latin America and Africa.