



RESPONSE TO THE ALL PARTY PARLIAMENTARY GROUP FOR TRADE OUT OF POVERTY

Submitted on behalf of the GTPA board and International and Technical Advisory Committee:

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Background

The benefits of international trade are currently the subject of debate in various contexts, however, it has long been demonstrated that, even with its systemic imperfections which must be acknowledged, trade has been a powerful driver for economic value creation, inclusion and poverty reduction, as well as peace and security.

Trade has, until the peak of the global crisis, grown at rates that exceed the pace of global GDP growth, and thus has also been referenced as a driver of growth of the global economy. In recent years, global supply chains are largely anchored in developing and emerging markets, with large buyers often engaging in trade with communities of suppliers numbering in the thousands or multiple thousands, including micro-enterprises sometimes belonging to local cooperatives.

It is in this macro-context that deliberations around trading out of poverty ought to be considered and understood.

Certain jurisdictions unabashedly leverage development assistance and poverty-reduction contributions to drive policy priorities and political influence, including procurement processes linked to assistance funds. Philosophically, an initiative that aims to promote trade out of poverty among Commonwealth jurisdictions might usefully be positioned as a process rooted in partnership and mutual benefit, rather than an exercise in extending influence. This nuance is perhaps doubly important in the context of ongoing Brexit discussions, post which, the strength of the Commonwealth relationships may become increasingly important.

The Trade Out of Poverty discussion relies on enabling successful trade flows across Commonwealth-linked supply chains. This approach can generate benefits as much for SME suppliers seeking prosperity through trade, as for large buyers helping to raise standards of living in consumer economies, including that of the UK.

Professional competency in the pursuit and conduct of trade then becomes a lynchpin to the success of an overall strategy to Trade Out of Poverty, with global best practices, trusted networks of experts, and effective advocacy, all contributing materially to the overarching objective, in the spirit of 'a rising tide lifting all boats'.



It is here that the Global Trade Professionals Alliance (GTPA) can make a substantive, highly focused and differentiated contribution.

The GTPA is a not-for-profit, membership-based organisation that represents the needs of organisations involved in capacity and capability-building in international trade.

It enables individuals and organisations to be part of a trusted network of trade professionals, educators and specialists operating in other parts of the world through the Certified Global Trade Professional (GTP) Programme, under ISO/IEC 17024, which is the international standard for the certification of professional competence.

Summary of evidence

Evidence for this submission was collated from a variety of sources including

1. The Australian International Business Survey (AIBS), a series of annual surveys which commenced in 2014. The findings of this report are distinctive and significant because they provide key insights into issues relating to the current markets and future plans of the Australian international business community from a managerial and corporate perspective. The report is based on a survey conducted in late 2015 and early 2016 which resulted in the collection of fully completed and validated responses from 913 internationally active Australian businesses.
2. On 1 November 2017, the GTPA in conjunction with the Export Council of Australia (ECA) held a roundtable discussion with a group of trade and development practitioners and guest expert Dr Ganesh Wignaraja, an Advisor in the Economic Research and Regional Cooperation Department of the Asian Development Bank in Manila. During 2012-2015, he was the Director of Research of the Asian Development Bank Institute in Tokyo.
3. Experience drawn from the GTPA International and Technical Advisory Committee (ITAC), drawing on their expertise in trade finance for SMEs, development of tailored training programmes for SMEs in developing economies and programmes to advance market development for developing economies.
4. Consultation with the Department of Foreign Affairs Trade Aid for Trade Programme.
5. Background papers, including the ECA's [2017 Trade Policy Recommendations](#) and the ECA's [2017 submission to the Foreign Policy White Paper](#).
6. ACCA (2010), "Small Business: A Global Agenda", www.accaglobal.org.uk/content/dam/acca/global/PDF-technical/small-business/pol-afb-sbaga.pdf (accessed July 28, 2016).
7. OECD (2004), "Promoting SMEs for Development: The Enabling Environment and Trade and Investment Capacity Building", http://www.oecd-ilibrary.org/development/oecd-journal-on-development/volume-5/issue-2_journal_dev-v5-2-en;jsessionid=1q452sasc1fgu.x-oecd-live-02 (accessed July 28, 2016).
8. OECD (2004), "Promoting SMEs for Development: The Enabling Environment and Trade and Investment Capacity Building", http://www.oecd-ilibrary.org/development/oecd-journal-on-development/volume-5/issue-2_journal_dev-v5-2-en;jsessionid=1q452sasc1fgu.x-oecd-live-02 (accessed July 28, 2016).
9. OECD (2009), "Supporting SMEs in a Time of Crisis: How to Choose the Right Actions", <https://www.oecd.org/cfe/leed/45406630.pdf> (accessed July 27, 2016).



Trade out of Poverty

Aid for Trade investments include specific initiatives aimed at bringing a range of commercial, policy and other best practices to markets that collaborate in this context. While this flow is often directed to developing markets, there are increasing instances where the flow is two-way, as was the case with M-Pesa and the deployment of mobile payment solutions.

In the end, trade and investment flows enable transfers of technology, support R&D and serve to facilitate the sharing of best practices, ideally reinforcing additional freer, rules-based flows of trade and capital.

In supporting the engagement of developing market SMEs into trade-based economic flows, Aid for Trade assists in ensuring the overall health and sustainability of global supply chains, and serves as a mechanism for encouraging sustainable sourcing, good governance, labour and child safety, anti-corruption measures and a range of related Twenty-First Century trade practices. Aid for Trade, and development-oriented facilitation activities also include access to timely and affordable financing and trade financing for SMEs, often prohibitively expensive or simply inaccessible, despite the reality that small firms rely on cashflow and working capital for their commercial survival.

The Commonwealth can take a leadership role in shifting the nature and tone of the Aid for Trade and Trading out of Poverty discourse, from its historically paternalistic nature, to one based truly on collaboration, mutual benefit, and genuine exchange of perspectives on key issues.

Once again, a core element of such a shift can relate to professional and domain competencies, specialisms and centres of excellence, coupled with a trusted network of experts across the Commonwealth and around the world.

GTPA, through local chapters and through the global network of global experts, can be a vital asset in raising professional competencies and promoting world-class practices in international trade.

Local chapters of the GTPA can serve as critical nodes in Aft and Trading Out of Poverty strategies. The GTPA can provide the framework and infrastructure for the development and deployment of just such a network.

Another differentiating element of the value proposition of the GTPA relates to the shared commitment of our founding executive, partners and committees to the idea that advocacy is a central role of experts and senior leaders across the global architecture for trade and investment. In this respect, the GTPA leadership and network will actively champion multilateralism, freer, rules-based, and increasingly inclusive trade and investment.

Such advocacy will involve local business communities, industry bodies and other entities engaging in or supporting engagement in global trade, but will also extend to senior political leadership across the Commonwealth and the world, taking a holistic view of trade, supply chains and the complex ecosystems of commercial relationships that drive global commerce.

The GTPA will work in line with proven international development and economic development practice, supporting SMEs, women-owned businesses and other groups or sectors of activity that deliver demonstrable, measurable impact and value, and will engage closely with international institutions, multilateral development banks, export credit agencies and others critical to advancing economic inclusion and Trade out of Poverty outcomes.



A prosperous future for all Commonwealth countries through Trade & Investment

International trade and investment will be crucial to securing each Commonwealth country's future economic potential. Jobs and economic prosperity are best created and protected over the long term through an open and competitive economic system.

With more overseas opportunities than ever before, the challenge for us all is how to ensure that Small to Medium enterprises can maximise the benefits of international trade and investment.

To meet this challenge, the Commonwealth need to ensure that more trade and investment-capable companies across the Commonwealth can engage with trading partners.

Maximising the benefits of international trade and investment is the shared responsibility of all levels of government and the businesses directly involved in import and export as well as the businesses that support them.

This enquiry presents an opportunity for the Commonwealth to work collectively to build a "trade ecosystem", but this will require commitment and dedication from all parties.

Insights from Australia: what are the biggest challenges SMEs face when looking to expand globally?

Australia's International Business Survey (AIBS) is an annual survey into the behaviour of Australian companies engaged in International Business (IBS). It is the largest survey undertaken in Australia and, when we have analysed the results with similar studies, we have found that the challenges that many Australian SME's have faced are consistent to those of other countries, therefore making AIBS findings applicable to starting today's discussion.

While the survey captures the views of a broad selection of business sizes and types, the 'typical' AIBS respondent is from a small to medium-sized enterprise (SME) with substantial international business experience.

Survey participants are involved in a wide range of cross-border commercial activities including exporting, importing, outward and inward investment, undertaking international research and development activities, and participating in foreign government tenders.

A significant minority (29 per cent) of respondents also participate in global value chains (GVCs). These are split fairly evenly between businesses that act as suppliers to a lead firm in a GVC, those that were themselves the lead firm, and those that described themselves as a vertically integrated firm running production activities across multiple geographies.

When asked to identify those factors that helped them target what is currently their most important overseas market, respondents emphasised the need to understand market compliance and risk; the role played by export market development grants (EMDG) and similar support; and access to general information on local customs, border procedures, business taxes and regulations.



Market access

Respondents identified information barriers in the form of local language, culture and/or business practices as the most important barrier in those overseas markets they considered both the most important and the most difficult for their business.

According to AIBS 2016 participants, the most important factor for ensuring success in international business is building a reputation for dependability, reliability, honesty and trustworthiness. This is important in terms of businesses aligning with the Australian national brand, as well as in leveraging this brand to build a reputation in international markets. GTP Chapters could assist organisations in leveraging and building a national brand to support trade development.

In previous years according to survey participants, visiting overseas customers in person was the single most important market development activity conducted by IBs in 2016. Expanding a firm's international sales and marketing team, overseas promotion campaigns and international trade shows also made important contributions. Respondents were more conservative in their use of digital marketing and e-commerce than in past years, however.

Access to finance

Lack of adequate security (collateral) was a main factor in 58 per cent of IBs' unsuccessful funding attempts in 2016, according to AIBS. Overall, at 42 per cent, the single most common reason for failed funding attempts was the lender declining the application due to inadequate security. By contrast, in cases where the lender declined the application, poor credit history and business inexperience were relatively minor factors.

Over the last three years, AIBS has found that companies overwhelmingly rely on retained earnings to finance international business activities. Where IBs have sought additional funding from a financial institution, around a third failed. For small IBs, the share of failed funding attempts rose to 46 per cent. Security issues are cited as the single most common reason for failing to secure financing.

The two risks to international operations that were most front-of-mind for AIBS respondents in 2016 were high domestic costs in Australia and the possibility of adverse exchange rate movements.

Respondents also said they were concerned about increased international competition and the threat of economic or financial crisis in key markets, but were relatively sanguine about the threats posed by protectionism, criminal or terrorist acts, and cybercrime.

Building a trade ecosystem

Networking is an important component to building relationships and entrepreneurs and business people need the ability to connect with others for advice, ideas, and support. Mentoring is as crucial as access to finance particularly as a platform for potential new partnerships.



Case Study: Building GTPA Chapters

From 2018, six Least Developed Countries will be assisted in the establishment of local Global Trade Professionals Chapters under a pilot programme. These proposed GTPA Chapters can work with existing export associations or chambers of commerce to build value propositions and delivery capabilities in-market.

The elements of a GTPA Chapter value proposition can include:

- Building a trade ecosystem
- Programme delivery and knowledge transfer
- Competency development
- Trade-related research and analytical skills development
- Strategic advocacy training
- Development of local trusted networks, and linkages to the global GTP community
- Mentorship

Women Going Global Training Programme

This programme is a 10--day face-to-face workshop program specifically tailored to assist women- led companies to look to prepare their business to expand into Global markets.

The goal of the programme is to build the capabilities of women-led companies and is a foundational pathway program towards the Global Trade Professional Program and could be counted as credited points towards the program when this is available for enrolments late 2017.

The program consists of three phases, detailed below.

Phase 1: Going Global Training programme

Phase 1 is designed under the Aid for Trade initiative to assist small business owners from the Pacific to embark on the pathway of growing their business into new international markets as well as connect with other entrepreneurs in Australia.

The program consists of one week of training in Brisbane, Australia, and one week of training in Sydney, Australia and is the first of its kind to be supported by the Australian government, as follows:

Week 1: The first week in Brisbane includes an interactive training programme to assist the businesses to develop their export strategy and business plan

- Introduction to growing a global business
- How to select the right market
- Export marketing and preparing to visit the market
- Export documentation * overview only
- Freight and logistics
- Financing for export success
- Pitching skills
- Networking event with businesses interested in trading in the Pacific region



Week 2: The second week in Sydney involves engagement with trade experts, meeting with innovation hubs, visits to exporters, and Indigenous training

- Roundtable with experts on doing business in the Pacific
- Indigenous advocacy
- Exporters site visits
- One on one consultations to review export plans
- Presentation of export plans
- Cocktail function with industry and government leaders
- Tour of innovation hubs

All participants in the programme will become members of the Global Trade Professionals Alliance. The training programme will provide foundational entry towards becoming a certified Global Trade Professional (GTP).

Phase 2: Market analysis for establishing a GTP Chapter

In the next phase of the programme, GTPA will identify the opportunity to create GTP Chapters in six countries across the region to provide pathways for long term sustainable solutions to support businesses to engage in global trade.

This consists of a three-step process:

Step 1: Assessment of the capacity-building needs of an industry group/chamber of commerce in market

In consultation with the industry body, this step will determine areas where improvement is required to become better advocates for trade reform, and to provide support services for its members to trade. Areas might include research, government engagement, and training provision. Following this assessment, GTPA will provide relevant training or advice to chamber administrators.

Step 2: Demonstration of effective knowledge sharing and networking

In partnership with the local industry body, GTPA will organise a three-day how-to seminar on conducting international business, with a focus on responding to technological change. The seminar will involve expertise from developed countries (including Australian businesses) and major local companies. A major intention here is to provide SMEs with better connections to local and international entrepreneurial ecosystems. And a key objective of this is to build networks to gain insight from mentors, tap new sources of financing, and establish new partnerships with suppliers and customers.

Step 3: Engagement with communities

This aspect involves reaching out directly to local women entrepreneurs to build their business, including for trade. The support will vary depending on the community, but the effort should be a mix of building entrepreneurial knowledge and self-confidence, including by bringing women entrepreneurs together to build connections and share experiences.



Phase 3: Working with local Chambers/ export associations to expand their services to deliver a GTP program

The GTP Programme is built on collaboration. We are seeking engagement from Industry bodies and in-country chambers of commerce, helping them to expand their services and capability to deliver a GTP programme in-market.

GTPA will seek collaborative working models to provide valued-added membership services in specific countries around the GTP programme.

Collaboration will be driven by six over-arching objectives:

1. **Work** together to establish and expand existing services to deliver GTPA services and the GTP programme to enhance current service offerings.
2. **Develop** activities that can support the local chamber to deliver ongoing certified GTP activities in-market.
3. **Build** trade linkages and networks with regional and global markets via the GTPA network.
4. **Collaborate** on local delivery of skills and capability building programs.
5. **Advise** individuals from various markets in becoming GTP certified, including providing access to educational programs via the GTPA network to build their competencies.
6. **Expand** membership benefits by providing local networks with valued-added membership to GTPA, as well as discounted rates to become a GTP.



Recommendations

In summary, the GTPA recommend that the committee consider the following recommendations as part of the All-Party Parliamentary Group for Trade Out Of Poverty:

1. Provide Commonwealth countries access to participate in the Global Trade Professionals Alliance and GTP Programme;
2. Assist Commonwealth countries to develop local GTP Chapters;
3. Increase funding support for training and skills development in international trade to increase SME trade capability;
4. Increase targeted support for high-potential companies (those with the capacity, capability, and appetite) to internationalise and grow, including expanding financing options and greater involvement of diplomatic representation where appropriate;
5. Facilitate engagement between private sectors in developing countries, particularly SMEs across the Commonwealth, to enhance business connections and facilitate experience the sharing of experience and best practice;
6. Strengthen domestic champions of trade across the Commonwealth, including by building the capacity of relevant industry bodies to undertake research and engage their governments on the need for reform, as well as encourage trade;
7. Create online resources that are easily accessible, user friendly and current across the Commonwealth;
8. Improve engagement across the Commonwealth with wider international business networks, and engage SME's from across the region to this network. This could be done through providing mentoring and internship programmes that leverage the expertise of the Commonwealth's international business community. While these types of programmes have existed in various forms, they would be more effective with focused and sustained support over the long term;
9. Invest in a "Commonwealth Business Travel Card" similar to the Asia-Pacific Economic Cooperation (APEC) Business Travel Card (ABTC), which provides business people faster and easier entry to economies of the Commonwealth region;
10. Seek to explore avenues to create standardised export documentation for the Commonwealth region in order to assist trade facilitation between Commonwealth countries. This should include the issuing and acceptance of electronic Certificates of Origin.
11. Undertake a Commonwealth-wide analysis of the understanding of and access to trade and supply chain finance. This should be modelled on past analyses by the Asian Development Bank, IFC and the International Chamber of Commerce, and could specifically assess opportunities to leverage emerging technologies to support MSME success in international business.
12. Fund a research grant to investigate other models for developing finance packages in LDCs. For example, the Fijian Government is offering small loans to emerging and established MSMEs/SMEs to allow trade deals to flourish.



Appendix 1: Evidence

Roundtable discussion to discuss the enquiry

On 1 November 2017, the GTPA in conjunction with the Export Council of Australia held a roundtable discussion with a group of trade and development practitioners and guest expert Dr Ganesh Wignaraja, an Advisor in the Economic Research and Regional Cooperation Department of the Asian Development Bank in Manila. During 2012-2015, he was the Director of Research of the Asian Development Bank Institute in Tokyo.

In a career spanning over 25 years in international economics research, economic policy and advisory work, he has held positions at the Asian Development Bank, the Commonwealth Secretariat, the OECD, Oxford University, Overseas Development Institute, the UN University Institute for New Technologies and a major UK consulting firm. He has worked with major international development agencies including World Bank, the IFC, DFID and USAID.

The discussion supported many of the recommendations the GTPA presents in this paper. Key points included:

- *Challenges faced by developing countries vary especially according to their region and level of development. Some countries are still at an early industrialisation stage with the arrival of Foreign Direct Investment (FDI). Others have already had the opportunity to absorb FDI and achieve simple manufacturing under foreign guidance. Others still have developed supporting industries, including for parts and components, and can participate in production networks. The level of development will indicate the challenges faced, and the responses required, e.g. for workforce development.*
- *There is a need to focus on inclusive trade so that disadvantaged groups (Women, Youth, SMEs) can benefit. Poverty has been reduced yes, but many people are only just living above the minimum threshold.*
- *Human capital development is a key component. Skills and vocational training are important and should start early to emphasise life-long learning. Investment may be needed in the infrastructure for skills and vocational training. Improving the skills of women is critical for higher social and economic returns. Portfolio of human capital will allow workers to undertake value-added tasks, which is increasingly becoming important for Global Value-Chain Activities. This allows diversification in skills to better manage fragmented growth that will accompany disruptions.*
- *Development of productive capacity without reference to market demand will not work. Industrial and education policies must complement each other and be forward looking. Industrial policies determine the demand for skills/ education policies determine the supply of skills and human capital. For many developing countries there is underinvestment in secondary school education. This limits students from moving to tertiary education and developing the high value skills required to lift their economies out of the middle-income trap.*
- *Expanding digital trade has the potential to link disadvantaged groups to global markets. It increases connectivity and services linkages, reduces trade costs for firms, and flattens the supply chain. There is a need to ensure that the necessary infrastructure (for example ICT infrastructure) is in place, as well as ensuring that the disadvantaged have the right skills to take advantage of digital trade.*



- *Access to finance is crucial, especially for the 'missing middle' – digital trade technologies (for example fintech) can help with this.*
- *There are opportunities to develop local SMEs by pushing them into integration and building regional supply chains. This work needs to be complemented by reforms to the regulatory environment to liberalise the economy, and promote trade and private sector development (e.g. taxation reform, competition policy reform).*
- *The Pacific is an area with a high proportion of Commonwealth membership but a low share of global aid for trade funding.*
- *There are already a number of multilateral organisations focussing on trade and poverty. Additional focus is welcome, but it will be important not to overlap with or duplicate existing work.*