
The Parliament of the Commonwealth of Australia

Trade and the digital economy

Joint Standing Committee on Trade and Investment Growth

September 2018
Canberra

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Foreword

Trade is central to a nation's economy and as the economy moves towards a digital basis, so too must trade systems. The Joint Standing Committee on Trade and Investment Growth undertook this inquiry in order to find out how well Australia's trade system is adapting to the digital era, and to recommend where improvements could be made.

Australia is full of businesses – from the very small to some of the largest in the country – which are already world-leaders in making the most of the digital economy. Businesses are finding new opportunities to export goods and, increasingly, services to customers around the globe.

For that reason, it is vital that Australia's trade system keeps up with the changes in how businesses actually trade. While this presents challenges for both governments and businesses, it also provides the opportunity to rethink how trade systems should work.

In this report, the Committee outlines some of those challenges and opportunities, and I hope it will be a useful contribution to a fast-moving area. Even in the period between this inquiry's launch and the tabling of its report, we have seen considerable changes in Australia's approach to the digital economy. That speed of change, as well as the importance of working with our trading partners and multilateral organisations, means that this report makes no technology-specific recommendations. Based on the evidence we received, the Committee has outlined principles we consider important and highlighted issues that require further work.

Through the course of this inquiry, the Committee heard from many people about the interesting, valuable and exciting contributions that are being made to the digital economy. On behalf of the Committee, I thank all of the submitters and witnesses who contributed to this inquiry.

I would like to thank my Committee colleagues for their hard work on this inquiry, and particularly the Deputy Chair, Mr Ross Hart MP, for his valuable

input. I also thank the secretariat staff, and especially Committee Secretary Melanie Brocklehurst, for their work in supporting this inquiry.

Mr Ken O'Dowd MP
Chair



Membership of the Committee

Chair Mr Ken O'Dowd MP

Deputy Chair Mr Ross Hart MP (from 9/2/2018)
Senator Murray Watt (to 8/2/2018)

Members Mr John Alexander OAM, MP
(to 11/11/2017)

Senator Anthony Chisholm

Mr Julian Hill MP (to 25/10/2017)

Mr Peter Khalil MP

Senator Murray Watt

Mr Tim Wilson MP (from 20/6/2018)

Senator the Hon Eric Abetz

Senator Richard Colbeck (from 12/2/2018
to 27/8/2018)

Senator Jane Hume (to 12/2/2018)

Senator Steve Martin (from 10/9/2018)

Mr Rick Wilson MP

Committee Secretariat

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Inquiry Secretary	Joel Bateman Siobhán Leyne (until January 2018)
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Terms of reference

To inquire into and report on:

- the responsiveness of Australia's trade architecture and regulatory system to the contemporary needs of the digital economy and disruptive technology; and
- measures to improve the cyber resilience of Australia's trade-focused business sector.



Executive summary

The rise of digital technologies, most particularly the connections offered by the internet, has changed the trade system in fundamental ways. The notion of trade evolved over centuries: firstly as vessels containing an assortment of goods, then large container ships carrying goods in bulk imported and exported by specialised companies, and ultimately this system is being replaced by a world in which tiny businesses can sell not just their products, but their services, to the entire world. This inquiry was established to find out how well Australia is coping with this transition, what can be done better, and where the focus should be from here.

A key theme of this report is that the digital economy should not be regarded as a subset of, or separate to, the broader economy. The Committee, therefore, has made a series of recommendations that emphasise the centrality of digital technologies to trade in the 21st century, and which highlight that an entire rethink of what trade is and how it is conducted is necessary. To limit our adaptation to the digitisation of paper processes will mean that Australia fails to make the most of the many opportunities available. Reimagining of processes as digitally native processes will be as important as the technology delivering trade innovation.

The Australian Government has already developed initiatives and approaches that assist businesses to take advantage of these new opportunities, but too many of these are hard to find or access. A simple, industry-focused, single source of information will help Australian businesses – from the smallest to the largest – to identify new markets and expand their existing markets. Similarly, a simplified, digitally based single-window trade system will allow more ready access to and from the global marketplace providing standards are kept open and interoperable. The Committee is pleased to see that one is being developed, and looks forward to its implementation. Both of these actions will reflect the centrality of digital technologies to the modern trade system.

The digital economy requires a solid foundation of both cyber security and resilience to provide the necessary level of trust, access and availability. Recent improvements in Australia's approach are encouraging, but the Committee would

like to see, from both governments and the private sector, a much more integrated understanding of the centrality of cyber security and resilience to the modern economy. As with so much else in the digital economy, cyber security and resilience cannot be regarded as a specific series of issues removed from the broader discussion; cyber resilience should be a fundamental part of every organisation's management, with every discussion about cyber security to address the centrality of cyber resilience.

On top of maintaining cyber resilience, the adoption of internationally standard approaches will be vital to the digital economy. Nevertheless interoperability in the case of competing standards where local requirements dictate alternative approaches is also paramount. Mere harmonisation of approaches will be inadequate to address the coming challenges.

Australia has a strong reputation for its approach to both technical and regulatory questions, and the Committee recommends that the Australian Government continues to place digital issues at the centre of its trade and other international discussions.

Finally, the centrality of digital skills to the workplace needs of the 21st century cannot be understated. The Committee recommends that education and training, from school students through to existing workers, needs to be designed with that fact in mind. That preparedness is vital for the economic growth of Australia for generations to come, and reflects that digital skills are key workplace skills in the modern economy.



List of recommendations

Recommendation 1

The Committee recommends that the Australian Government, as a matter of priority, creates a single portal of information, with particular regard to exporting digital goods and services, including information about the development of digitally native processes.

Recommendation 2

The Committee recommends that the Australian Government, as a matter of priority, creates a single window trading system, with particular regard to exporting digital goods and services. This single window must be developed with a focus on interoperability to ensure rich data flows can be maintained and transmitted across borders.

Recommendation 3

The Committee recommends that the Australian Government release its Digital Economy Strategy.

Recommendation 4

The Committee recommends that the Australian Government continue to take future workforce needs into account in Australia's education system, from school through to tertiary education.

Recommendation 5

The Committee recommends that the Australian Government investigate options to fund and deliver training for those already in the workforce, to give them the skills to fully participate in the digital economy.

Recommendation 6

The Committee recommends that the Australian Government continue to promote digital trade standards, both technical and regulatory, with an emphasis on openness, technological neutrality and interoperability.

Recommendation 7

The Committee recommends that the Australian Government continue to support a permanent moratorium on duties for data flow.

Recommendation 8

The Committee recommends that the Australian Government work within the WTO to develop an internationally consistent system of measuring data flow.

Recommendation 9

The Committee recommends that the Australian Government ensure that all Commonwealth agencies comply with the Australian Signals Directorate's Essential Eight cyber security and resilience mitigation strategies.

Recommendation 10

The Committee recommends that the Australian Government investigate ways to assist Australian SMEs to improve their cyber security awareness and resilience levels.

Recommendation 11

The Committee recommends that the Australian Government require all agencies when developing policy, legislation or trade agreements to consider whether what is proposed is technologically neutral and whether it could create barriers to the digital economy, including by limiting interoperability.

