

The Joint Standing Committee on Trade and Investment Growth

Public Hearing
Perth, 8 October 2024

Opening Statement

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Thank you for the invitation to attend this morning's hearing.

I'd like to acknowledge the traditional custodians of the lands we meet on today and pay my respects to elders and senior knowledge holders past, present and emerging.

I'm pleased to be able to summarise some research findings from the Bankwest Curtin Economics Centre (BCEC) that speak to the work of this Standing Committee.

Benefits of FTAs

Item (a) of the Committee's terms of reference invites consideration of the level of understanding present of the social and economic benefits provided by FTAs.

It is well established that free and fair trade contributes to economic growth, creates job opportunities and offer consumers improved variety of imported goods and services.

But less is known about the benefits of FTAs and trade to the average Australian household.

The BCEC research measured the channels through which trade impacts households, namely employment, household disposable income, and cost-of-living effects.

Taking the China-Australia Free Trade Agreement (ChAFTA) as a case study, BCEC estimated that trade with China elevated the average Australian household disposable income by \$2,600 in 2022-23 alone.

FTAs support productive and high-wage jobs. The number of jobs in Australia related to trade with China was estimated at just under 600,000 in 2022-23.

And without trade with China BCEC estimated that Australians would experience a 4.2 per cent rise in expenses if the same imported goods were to be sourced from countries outside of Australia's primary trading partners.

Take up of FTAs by small businesses (0-19 employees)

On Item (b) - the uptake of FTAs by Australian businesses, a series of unique BCEC Small Business Surveys tracked the sales reach of small businesses across Western Australian regions.

The research found that in 2020 just over 11 per cent of small businesses based in Perth sell to international markets.

International trade brings many opportunities, but also brings risks. The agriculture sector is particularly exposed to fluctuations in external markets and global demand, with 28 per cent of WA's small business sale volumes going to international markets in 2020. This was up 15 percentage points on the levels reported in 2017.

And our research found that in 2020 well over half of small businesses that sell to international markets were in worse financial shape because of the pandemic, both in metropolitan Perth and in regional WA. The impacts of COVID-19 border closures and supply chain disruptions had an immediate and sizeable effect on the balance sheets of small businesses.

Chinese tariffs and trade restrictions imposed on Australian exports such as barley, wine, lobster, and beef also impacted trade but to differing levels by product and sector.

There is a need to track the impact of trade opportunities and disruptions on the SME sector and the speed at which small businesses can react to, and recover from, such shocks.

With the emergence of new technologies, green trade and an ever-increasing global nature of trade, it is more important now than ever before for Australian businesses, of all sizes, to engage in global trade and international investment opportunities.

Monitoring and measuring FTA utilisation

And now to the issue of monitoring and measuring FTA utilisation (Item e).

BCEC's 2023 Trading Up report used a gravity model approach to provide insights on the utilisation of FTAs by exploiting variations in trade flows between countries. Specifically, this model estimates the overall change in trade value due to FTAs.

Findings demonstrate a net increase in overall trade flows due to the implementation of FTAs.

Estimates show that since signing respective FTAs, Australian exports to China increased by \$275 billion, exports to Japan increased by \$99 billion, and exports to Thailand increased by \$57 billion compared to a counterfactual without FTAs.

With quality data this approach can be further parameterised and adapted to estimate the benefits of FTAs across different populations groups, business sectors and regions.

Conclusion

In conclusion, FTAs provide many benefits. Further work to track these benefits at the household, business and various government levels is important as the nation looks to build on existing trade relationships.

Thank you.

Dr Daniel F. Kiely
8 October 2024

Further information

The Bankwest Curtin Economics Centre (BCEC) is an independent economic and social research organisation located within the Curtin Business School at Curtin University. The Centre was established in 2012 through the generous support of Bankwest, a division of Commonwealth Bank of Australia.

Links to BCEC research are available through our website at: <https://www.bcec.edu.au>