



Australian Government

Australian Government response to the Joint Standing Committee on Trade and Investment Growth Committee report:

Trade transformation: Supporting Australia's export and investment opportunities

SEPTEMBER 2020

Preamble

On 31 July 2019, the Minister for Trade, Tourism and Investment, Senator the Hon Simon Birmingham, asked the Joint Standing Committee on Trade and Investment Growth (the Committee) to inquire into and report on supporting exports and attracting investment. In May 2020, the Committee tabled its report containing twenty recommendations. These recommendations aim to support businesses, including in new and emerging industries, to increase their trade and attract investment.

Australia is an export nation and free and open trade and exports are a critical part of our national prosperity with exports reaching almost \$470 billion in 2018-19, equating to 24.1 per cent of Gross Domestic Product (GDP). The growth of Australia's exports has been strong, with export volumes increasing by 4.8 per cent on average in the ten years to 2018. This surpassed the growth rate of world trade over the same period of 3.4 per cent. Foreign investment in Australia is an essential element to Australia's economy and totalled \$3.3 trillion at the end of 2017¹. Over 53,000 Australian businesses engage in the export of goods and services. Of these, 50 per cent of goods exporters are small businesses which contribute one per cent of the overall value of goods exports.

However, COVID-19 is having a devastating impact on lives and livelihoods. In tabling the report, the Committee acknowledged the outbreak and its economic implications particularly impacting sectors that export to Asia. Our major services exports of tourism and international education have also been disproportionately affected. For tourism, Australia's bushfire crisis in the summer of 2019-20 had already heavily impacted that sector with a number of tourism-dependent regions directly affected by fires or smoke, but also with cancellations from international visitors Australia-wide.

Since the Committee's report was tabled, the COVID-19 pandemic has continued to cause major economic disruption and uncertainty worldwide, which is likely to remain for some time. Measures implemented in Australia and other countries to control the spread of the virus (such as border controls, travel restrictions and social distancing measures), have had negative effects on trade and investment.

COVID-19 has highlighted both the risks and challenges of the international trade environment, as well as new trends and trade implications arising from the pandemic's global impact. It has magnified a trend of increasing protectionism and challenges to the rules-based order in recent years with a range of domestic support measures by trading partners in their efforts to manage the impacts of the pandemic. However, we should not lose sight of the potential trade and investment opportunities this disruption might bring, particularly with Australia having managed the pandemic well compared with many other countries. Australia has enjoyed consecutive monthly trade surpluses over the last two and a half years. In fact, Australia has seen record monthly trade surpluses during the pandemic.

The pandemic has highlighted vulnerabilities in some of Australia's supply chains, although it's important to note that supply chain disruptions during the pandemic have been uneven and have differed from sector to sector. Flexible and diverse supply chains are important in enabling our production and exports, and supply chains will need to remain nimble to respond to ongoing shifts in the global trading environment. Some supply chain disruptions have been mitigated by solutions implemented by government and industry such as the International Freight Assistance Mechanism and resources and energy supply chains have largely remained robust, especially those relying on sea freight.

In relation to the global trade environment, the report notes it is characterised by rising protectionism and trade tensions, and also comments that the withdrawal of the United Kingdom (UK) from the European Union (EU) in January 2020 may impact Australian businesses trading with the UK. The Australian Government has been proactive in managing the economic consequences the UK Brexit may have on Australian businesses. On 17 June 2020, Australia and the UK launched negotiations for a free trade agreement (FTA). Australia is seeking ambitious and comprehensive new agreements with the EU, UK, Regional Comprehensive Economic Partnership (RCEP) countries, India and the Pacific Alliance that drive increased trade in goods and services, two-way investment, economic growth and job creation. In July 2020, the Australian-Indonesia Comprehensive Economic Partnership Agreement (IA-CEPA) entered into force, starting a new chapter in our trade relationship with our closest neighbour.

The Government welcomes the Committee's report and recommendations. The Government will work to continue to support businesses through disruptions and support them in their ambitions to grow via export, including into new markets, and attracting investment. The Government is committed to implement best practice evidence-based regulation that supports export and investment growth, whilst protecting the national interest.

¹ Department of Foreign Affairs and Trade, Foreign investment statistics, *Statistics on who invests in Australia*, based on ABS catalogue 5352.0, last updated: May 2020. [<https://www.dfat.gov.au/trade/resources/investment-statistics/Pages/statistics-on-who-invests-in-australia>].

Recommendation 1

The Committee recommends that the Australian Government identify new and emerging trade opportunities and seek to apply the lessons learned from the Biomedical Translation Fund to help attract industry investment to those opportunities, as part of an updated trade and investment strategy.

The Australian Government supports the recommendation to continue to identify new and emerging investment opportunities as part of an updated trade and investment strategy. There are a range of government programs and services that provide this support.

Co-investment measures with careful design and implementation can be effective mechanisms to encourage venture capital investment in innovative technology-based high growth potential companies. The Biomedical Translation Fund is an example of a specifically designed co-investment measure that encourages investment to a targeted sector, to commercialise biomedical discoveries. The Commonwealth Scientific and Industrial Research Organisation Innovation Fund targeting ‘deep tech’ research with a connection to public research institutions provides another example. Before establishing any new co-investment programs, the supply and demand for venture capital must be carefully considered to ensure there is justification for the commitment of capital by government and that the fund will be an effective means to achieve the objectives of government.

Recommendation 2

The Committee recommends that the Australian Government continue to progress its tax reform agenda, particularly by reducing the company tax rate, as a priority.

The Australian Government notes this recommendation.

The Australian Government believes taxes should be as low as possible. The Australian Government has already taken action to reduce the tax rate for small and medium companies with a turnover less than \$50 million, with the rate falling to 26 per cent on 1 July 2020 and then reducing to 25 per cent from 1 July 2021.

Recommendation 3

The Committee recommends that the Australian Government, in collaboration with State and Territory Governments, the medical profession and pharmaceutical industry:

- develop a unified national regulatory scheme for the establishment, conduct and reporting of clinical trials in Australia; and
- review Australia’s intellectual property settings, particularly regulatory data protection and the patent notification scheme, to assess if they are an impediment to greater investment.

The Australian Government supports the objective of consistent and harmonised clinical trials processes nationally, in order to build a more predictable and globally competitive trials sector.

Clinical trials benefit patients, advance medical knowledge and are estimated to be worth around \$1 billion to the Australian economy each year. The environment in which clinical trials are conducted is complex, often occurring across multiple jurisdictions and with every study needing ethics and governance approvals before it can commence.

Australia has the objective of being a preferred destination for clinical trials. This requires cooperation between levels of government which hold different levers that support trial activity. The Australian Government is leading a body of work to improve the Australian clinical trials environment with a view to improving health outcomes and increasing international investment in Australia. This is being progressed in collaboration with all jurisdictions, building on international evidence that jurisdictional collaboration and congruence is critical to success in federated clinical trials systems.

The pilot and finalisation of the National Clinical Trials Governance Framework (Governance Framework) is a key element of the clinical trials reform agenda and will ensure nationally consistent accreditation of health services undertaking trials. The Governance Framework will embed clinical trials into routine health care and strengthen clinical and corporate governance arrangements. Importantly, it will do so in a way that aims to reduce duplication and increase efficiency, cohesion and productivity across the clinical trials sector. The evaluation of the pilot outcomes is now anticipated in early 2021, following a delay due to COVID-19.

All jurisdictions are continuing to progress the reform agenda and to identify and implement actions and systems that will enable a streamlined and consistent national approach to clinical trials within Australia. As part of the National Health and Medical Industry Growth Plan, the Australian Government announced the commencement of work to develop a proposed concept for a National Clinical Trials Front Door (NCTFD) in collaboration with jurisdictions. The Commonwealth and jurisdictional health departments have developed the proposed concept. The NCTFD and One-Stop-Shop for Clinical Trials Approvals presents a significant opportunity to achieve an interconnected, rapidly responsive, streamlined and intuitive platform to fast-track trial commencement and patient recruitment.

The Australian Government notes this recommendation to review Australia's intellectual property settings, particularly regulatory data protection and the patent notification scheme, to assess if they are an impediment to greater investment.

Australia's intellectual property settings aim to provide appropriate incentives for innovation and investment while facilitating access to goods and services. The Productivity Commission completed a comprehensive review into Australia's intellectual property arrangements in 2016, including reviewing opportunities for attracting greater investment whilst balancing the interests of innovators, consumers and Australian society as a whole. A number of the Productivity Commission's recommendations were supported and have been implemented by the Government.

The review considered the issue of data protection and calls from pharmaceutical companies to extend the period of protection. The Productivity Commission found no grounds for such a change, including for biologics, and found no evidence of systemic problems arising from Australia's data protection settings. Australia's data protection regime fully complies with our international obligations. The Government considers that insufficient new evidence has been provided to conduct another review at this stage. The Department of Health consulted with IP Australia and the Department of Industry, Science, Energy and Resources in developing this advice.

The Department of Health has recently conducted a review of the patent notification scheme and consulted stakeholders on options for earlier notification to innovators of applications for generic medicines. The Department is currently considering submissions and next steps.

Recommendation 4

The Committee recommends that the Australian Government investigate improvements that could be made to the Research and Development Tax Incentive, particularly to meet the needs of small and innovative businesses.

The Australian Government notes this recommendation.

The Research & Development Tax Incentive (R&DTI) is the Australian Government's principal measure to encourage additional industry investment in research and development. It is a broad based, market driven program that is accessible to all industry sectors.

The program reduces the costs to business of undertaking eligible R&D activities, offering tax offsets for up to \$100 million of eligible R&D expenditure each financial year.

The level of benefits under the program is highest for small and medium enterprises with an aggregated turnover of less than \$20 million per annum. These businesses receive a 43.5 per cent refundable tax offset for their eligible R&D expenditure. Where the offset exceeds the company's tax liability, the balance is paid to the company as a cash refund or carried forward and used to offset future tax liabilities. A non-refundable 38.5 per cent tax offset is available for eligible companies with an aggregated turnover of \$20 million or more per annum. Unused offset amounts can be carried forward and used to offset future tax liabilities.

A Bill containing reforms to the R&DTI aimed at improving the effectiveness, transparency and integrity of the program is currently before Parliament.

In addition, the Australian Government, through the Department of Industry, Science, Energy and Resources and Australian Taxation Office, will continue to work together to provide further clarity and guidance that helps companies understand how to self-assess the eligibility of their activities for the program. The Government also regularly engages with companies and industry associations through forums, such as the R&DTI Roundtable, to discuss matters within the program and receive feedback on the administration of the program.

Recommendation 5

The Committee recommends that the Australian Government, in consultation with industry, review the Global Talent Employer Sponsored program after one year to assess its effectiveness, and make amendments to the program if necessary.

The Australian Government supports this recommendation.

Introduced as a pilot in 1 July 2018, the Government announced the successful continuation of the Global Talent Employer Sponsored program in August 2019.

The Government also launched the Global Talent Independent program in November 2019, which actively targets and attracts global elites who can help grow emerging sectors and Australian jobs. There are Global Talent Officers in six overseas locations to promote, recruit and implement Global Talent Independent program. The seven target sectors are: AgTech; MedTech; FinTech; Cyber Security; Quantum Information, Advanced Digital, Data Science and ICT; Space and Advanced Manufacturing; and Energy and Mining Technology. Five thousand dedicated migration places were allocated to the program in 2019-20.

Recommendation 6

The Committee recommends that the Department of Foreign Affairs and Trade and the Department of Home Affairs work with the music industry to increase access for Australian performing artists to the United States of America market, including consideration of a reciprocal visa arrangement for artist tours and showcases in each other's countries.

The Australian Government notes this recommendation.

The Government is committed to supporting the growth of Australian music exports. Sounds Australia is Australia's export music market development initiative, established to provide a cohesive and strategic platform to assist the Australian music industry access international business opportunities.

To build a viable career it is necessary for most Australian musicians to tour overseas. The United States of America (US) has been identified by the Australia Council as the key international market for Australian musicians. Performing at major industry market events is the primary mechanism for artists to break into the US market. The Australian Government is exploring options to facilitate processes to assist Australian musicians in applying to the US for work visas.

Visa arrangements for US artists entering Australia are generally considered under the Temporary Activity (subclass 408) visa under the Migration Regulations 1994. The Department of Home Affairs is responsible for the administration of the Migration Regulations 1994, including decisions on issuing visas. The Australian Government is committed to reducing visa red tape within existing visa frameworks to support the growth of Australian industries, as well as providing Australian audiences with access to diverse cultural and entertainment experiences.

COVID-19 is having a significant impact on Australian artist's access to the US market. On behalf of hundreds of artists who have been directly impacted in 2020, the Australian Government is seeking flexibility around US visa arrangements to enable Australian artists to reschedule activities in the US. This particular request for advocacy, on the extension or reissuing of existing US visas for Australian artists, forms part of the longer term advocacy for Australian artists applying for US visas.

Recommendation 7

The Committee recommends that the Australian Government implement measures to enhance trade between Australia and Latin America, including consideration of visa requirements for Latin American visitors to Australia.

The Australian Government supports the recommendation for further measures to enhance trade between Australia and Latin America, but does not support measures for visa requirements for Latin American visitors to Australia.

Australia has significant trade relationships with Latin America and continues to maintain active partnerships in support of trade, export and business diversification, by identifying opportunities for increased Australian engagement, including:

- increase exports and jobs by supporting Mining Equipment, Technology and Services (METS) companies via a significant mining supply chain program targeting 15-20 mining operators in the region;
- increasing students from the region by improving awareness and enrolments using digital promotion campaigns such as Study with Australia which recently saw 75,000 enrolments from this region; and
- through science, technology and innovation frameworks, including science cooperation treaties, technical and project partnerships and institutional linkages such as the Commonwealth Scientific and Industrial Research Organisation Chile.

The Australian Government has a number of measures in place to enhance trade with Latin America. These include:

- Free Trade Agreements with Chile (ACLFTA, CPTPP), Peru (PAFTA, CPTPP) and Mexico (CPTPP);
- Bilateral Investment Treaties with Uruguay and Argentina;
- Double Taxation Agreements with Argentina, Chile and Mexico;
- Air Services Agreements with Brazil, Chile, Mexico and Peru; and

- Working Holiday Maker program agreements with Argentina, Chile, Ecuador, Peru and Uruguay.

Australia saw significant growth in goods exports to two of its three free trade agreement partners in Latin America, namely goods exports to Chile grew 8% and Peru grew 30% in FY19-20 compared to FY18-19. Future negotiating priorities include an FTA with the Pacific Alliance (Chile, Colombia, Mexico, Peru), and expanding the Working Holiday Maker program to a number of Latin American countries. The Department of Foreign Affairs and Trade, together with the Australian Trade and Investment Commission, is taking steps to deepen our trade and investment relationship with Mercosur countries (Brazil, Argentina, Uruguay and Paraguay).

The Australian Trade and Investment Commission, through its six posts in Latin America, continues to work to identify commercial opportunities for Australian businesses and encourage investment in Australia including by promoting Australian technology, innovation, resolving issues facing potential students and expertise in areas such as water management, tech, medicine, defence, security and agriculture, to expand commercial opportunities. This is also supported by activities for the Council of Australia Latin American Relations.

The Department of Foreign Affairs and Trade is leveraging Latin American interest in Australia's reform agenda to help shape regulatory environments conducive to Australian business and investment, and to position ourselves as a partner of choice.

Australia has a universal visa system which means all non-citizens must apply for and obtain a visa prior to travel to Australia.

Nationals of Latin American countries already enjoy significant benefits under Australia's Visitor visa program, which facilitate travel quickly and easily, including through:

- online lodgement, which enables individuals to apply online seven days a week, at their own convenience, and receive real-time updates on their application;
- no requirement to attend face-to-face interviews, or to submit original documents and passports;
- a standard three year multiple entry visitor visa product can be granted to allow visitors to visit Australia without having to reapply for visas over the three year period; and
- automated passenger SmartGates at Australia's international airports.

In addition, in recognition of the bilateral relationships between Australia and some Latin American countries, young people from those countries can also apply for the working holiday maker visa program to enjoy an extended holiday of up to 12 months in Australia, during which they can engage in short term work and study.

Recommendation 8

The Committee recommends that the Australian Government consider further options to support small and medium enterprises to enter (and remain) in export markets, including:

- Greater support targeting start-ups and entrepreneurs;
- Consideration of current government support for small businesses in the defence export industry, and whether this support could be replicated in more broadly to other industries; and
- Greater education and communication (including via digital means), particularly for new exporters, on how to enter and succeed in specific export markets.

The Australian Government supports this recommendation.

The Australian Trade and Investment Commission's key role is to promote and facilitate exports and investment is to support SME exporters. It has a number of support initiatives for SMEs and start-ups, many of which are being enhanced to provide more tailored support and more accessible digital offerings. For example, the Australian Trade and Investment Commission's Landing Pads, provides sector-specific 90-day boot camps which provide start-ups with a short-term global market-testing immersion. Established as part of the Global Innovation Strategy, the Landing Pads have been established in five key global locations: San Francisco, Berlin, Shanghai, Tel Aviv and Singapore. The Australian Trade and Investment Commission has eight centres of excellence which are managed by senior industry/sector specialists responsible for identifying high-growth opportunities and the international positioning of Australia's capabilities, especially for SMEs. The Centres of Excellence work together across onshore and offshore operations in response to opportunities and priorities for the following sectors: Mining & Resources, Health Care, Infrastructure & Tourism, International Education, Energy & New Energy, Advanced Technologies, Agribusiness & Food, and Defence, Advanced manufacturing & Space.

Further, the Australian Trade and Investment Commission and Department of Foreign Affairs and Trade launched the FTA Digital Seminar Series on 26 May 2020 and will deliver 12 Online Webcasts. These free seminars have so far reached 3,255 live viewers over six webcasts². The series has a national audience including SMEs from rural and regional Australia. Viewers are also able to catch up on the recorded seminars at their own leisure.

The Australian Trade and Investment Commission services will continue to be based on the expertise, insights and connections of our global network, and frontline staff and partners are actively engaged with businesses on a daily basis. The Australian Trade and Investment Commission has a team dedicated to servicing start-ups and scale-ups which have high growth prospects and are looking to expand globally. Those start-ups and scale-ups are supported through a range of digital products, group services and tailored support to assist in their export journey. The Australian Trade and Investment Commission is also providing additional services during COVID-19 such as virtual servicing, online mentor networks, digital resources and information webinars for a range of industries.

The Australian Government's Defence Export Strategy provides a sector specific strategy to grow defence exports, considering the defence sector's many unique characteristics including a single buyer (governments) in most markets, the sovereign nature of the defence industry in many countries, the regulatory framework that applies to defence and the high level of opacity around trends and opportunities.

As it is sector specific, some elements of the Defence Export Strategy will not apply to other sectors. The Australian Trade and Investment Commission is working closely with the Department of Defence to support the Defence Export Strategy and is also looking at opportunities to expand some of its principles to adjacent sectors such as space and advanced manufacturing. These opportunities include:

- Clearly identifying a small number of priority markets for Australian businesses in the space sector and advanced manufacturing to target, including developing a multi-year campaign of events, high profile visits and deeper resourcing to help Australian exporters.
- Targeting specific capabilities or technologies which could be cultivated in Australia, either through foreign investment or by encouraging Australian businesses with those capabilities to seek export and market expansion opportunities.
- Targeted engagement efforts with major multinationals to identify and explore opportunities for Australian businesses in their global supply chains.
- A "Team Australia" approach, with lead agencies clearly identified and able to call upon the resources of Australian Government and state and territory agencies to support major exports. In the defence sector, the Australian Defence Export Office fulfils this role, but in other sectors the Australian Trade and Investment Commission may be the lead.

The Government recognises the critical role innovative start-ups play in creating new high-value jobs, contributing to increased productivity and bringing new products and services to market, and is committed to creating the right environment for Australian start-ups to flourish. The Department of Industry, Science, Energy and Resources has specific measures providing access to funding and support to start-ups and SMEs including: Incubator Support, Boosting Female Founders Initiative, and Accelerating Commercialisation.

The Government's SME Export Hubs Initiative supports collaborative business networks that help Australian businesses to enter and succeed in global marketplaces. Hubs boost the export capability of SMEs through activities such as developing collective brands, leveraging local infrastructure to scale business operations, and positioning regional businesses to participate in global supply chains. To date, the Initiative has supported 15 hubs across the country with \$7.5 million in grants.

The Government's export credit agency, Export Finance Australia, also plays a key role in supporting SMEs to enter and remain in export markets. In 2014, the Government directed Export Finance Australia to place a greater emphasis on supporting SMEs to expand their operations in overseas markets. Since 2014, Export Finance Australia has helped 450 SME exporters, supporting export contracts worth \$5 billion to over 120 countries. The Defence Export Facility has provided financial support to Australian companies to increase manufacturing capability and pursue export opportunities where finance through traditional means may not have been possible.

Recommendation 9

The Committee recommends that the Australian Government establish a Superannuation Task Force to explore, develop and recommend structural changes and possible incentive based programs and regulations to increase the level of Australian superannuation fund investment in Australian industries, particularly those with an export focus.

² as of 14 August 2020

The Australian Government does not support this recommendation because it conflicts with core duties of superannuation trustees.

Superannuation trustees have a statutory obligation to act in the best interests of their members (Best Interest Duty) and are required to maintain funds solely for a range of purposes that involve the provision of retirement benefits to members (Sole Purpose Test). Trustees are not constrained in investing in Australian industries with an export focus (or any other types of investments), so long as they comply with the best interest duty and the sole purpose test. We consider those constraints are appropriate from a policy perspective, particularly in the context of the Financial Services Royal Commission, where trustee compliance with the Best Interest Duty and the Sole Purpose Test were a major focus.

Recommendation 10

The Committee recommends that the Australian Government permanently increase funding for the Export Market Development Grants scheme by \$60 million per year, or alternatively by an amount which will meet the expected demand and reflects the needs of business following the post-COVID-19 resumption of economic activity.

The Australian Government notes this recommendation.

The Government committed to progressively restore funding for the Export Market Development Grants (EMDG) scheme which is administered by the Australian Trade and Investment Commission, and provided a \$12.5 million a year boost in 2013-14. In the 2019-20 Budget, the government committed an additional \$60 million over three years for the EMDG scheme. This took the annual EMDG budget to \$157.9 million.

In response to COVID-19, in April 2020 the Government provided an additional \$49.8 million providing exporters with their full EMDG entitlement for the 2019-20 financial year.

In October 2019, the Minister for Trade, Tourism and Investment appointed Mrs Anna Fisher to lead an independent review of the EMDG scheme and of financial assistance to SME exporters. This review was asked to consider the most effective and efficient way to deliver financial assistance to Australia SME exporters to encourage additional export development and promotion activities. The Government has accepted in principle all recommendations of the review. Further information is available here <https://www.austrade.gov.au/australian/export/export-grants/review>.

Recommendation 11

The Committee recommends that the Australian Government continue to push for new export market opportunities, including by:

- the signing of new trade agreements, with a preference for multilateral and regional agreements where possible;
- considering options to harmonise or streamline regulations where Australia has overlapping trade agreements with the same country; and
- prioritising the needs of small and medium sized businesses in the context of trade negotiations.

The Australian Government supports this recommendation.

Australia has been at the forefront of developing modern, comprehensive FTAs that aim to maximise tariff reductions for Australian exporters, open up services markets, and set rules to enhance trade and investment and reduce regulatory risk.

The Government is committed to a target of having FTAs with countries accounting for around 90 per cent of our trade by 2022. Australia now has 14 bilateral and regional FTAs, with new FTAs with Hong Kong, Peru and Indonesia having entered into force this year. Australia is currently negotiating trade agreements with the European Union, United Kingdom, and the Pacific Alliance, and is moving forward towards signing of the plurilateral Regional Comprehensive Economic Partnership (RCEP) agreement this year.

The Government is aware that it is particularly important in the current context to achieve commercially meaningful outcomes under FTAs, which will provide a boost for business as Australia begins to emerge from the COVID-19 crisis. The Government will continue to ensure agricultural, industrial, resources and SME stakeholders' views are actively canvassed.

The Government recognises FTAs are only one way of enabling international trade. A rules-based trading system centred on the World Trade Organization (WTO) is fundamental to Australia's interests, and Australia continues to demonstrate leadership, creativity and perseverance in seeking to advance liberalisation within the WTO.

The Government also recognises non-tariff barriers (NTBs) to trade can adversely affect trade outcomes for Australian exporters. The Action Plan to address NTBs, launched in 2018, seeks to strengthen the partnership between business and government agencies across three pillars of work to tackle NTBs: access, collaboration, and transparency. The new trade barrier gateway³ helps Australian exporters report NTBs to government and seek advice on dealing with international trade barriers.

Since the launch of the NTB Action Plan, the Government has been addressing over 300 potential NTBs across more than seventy markets, affecting over twenty industry sectors. Whole-of-government efforts have seen improved market access for Australian exporters, with more than forty agricultural market access achievements and fifteen professional services mutual recognition agreements since December 2018. The Government continues to work with other countries to improve trade conditions and remove non-tariff barriers, including those imposed on Australian exports during COVID-19 to provide increased market access.

The Australian Government has also advocated, where possible, for e-documentation for Australian exporters during the COVID pandemic. While outcomes have been dependant on the e-documentation our trading partners will accept, this has helped Australian exporters get their goods into market faster than otherwise possible and has minimised disruptions to the supply of quality Australian products. The Government will continue to advocate that the temporary relaxation of export documentation requirements be made permanent.

Recent examples of progress made on non-tariff barriers include:

- Removal of non-tariff barriers for Australian wine exports to Canada: While Australian wine exporters enjoy zero tariffs into Canada, non-tariff barriers at the provincial and federal levels, including tax disadvantages and sales restrictions, remained of concern despite sustained diplomatic representations by Australia advocating for their removal. Australia initiated dispute proceedings at the WTO in January 2018. In July 2020, Australia reached an agreement with Canada to remove the discriminatory measures at the federal level and in the provinces of Ontario and Nova Scotia. This builds on an earlier agreement in April 2019 to remove discriminatory barriers in the province of British Columbia. Discussions to remove barriers for Australian wine exporters in the province of Quebec continue, and the Australian Government is hopeful that remaining concerns can be resolved quickly.
- New biosecurity arrangements with India have opened more export opportunities for Australian fruit growers. India has approved Australia's use of in-transit cold treatment of a variety of fruits, a positive outcome for fresh produce exporters such as table grapes, apples, pears and summer fruit. These arrangements will see produce arrive faster, retaining its quality on arrival to India, allowing exporters to charge a premium based on the increased freshness.
- Extension of shelf life for vacuum-packed red meat into Middle East economies: In 2017, the United Arab Emirates extended its maximum shelf life, with Kuwait announcing in April 2020 that it would do the same and positive signs that Saudi Arabia is set to follow. Meat and Livestock Australia estimate a resulting Australian industry benefit of \$100 million.

The Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA) recently entered into force (5 July 2020). The agreement includes a dedicated chapter on non-tariff measures (NTMs) with a bilateral co-operative mechanism enabling regular discussion of NTMs. IA-CEPA also provides that Indonesia will issue import permits automatically and without seasonality for key products such as live cattle, frozen beef, sheep meat, feed grains, rolled steel coil, certain citrus products, carrots and potatoes. This commitment provides additional certainty for Australian businesses looking to export these goods to Indonesia.

The Government is strongly committed to assisting Australian businesses to derive the maximum benefit from FTAs, including by seeking consistent or improved outcomes for Australian exporters where a new FTA will overlap with an existing FTA. While the Government strives to ensure that rules of origin and other elements of FTAs are as consistent and trade facilitative as possible, consistency with older agreements may not always lead to the most beneficial outcomes. Those FTAs with mandated review provisions provide an opportunity to consider options for improving consistency of provisions where FTAs may overlap. However, any changes to existing FTA provisions are ultimately determined by the process of negotiation, and are also subject to domestic ratification and treaty-amendment processes by the parties before their entry into effect. Where FTAs overlap, the Department of Foreign Affairs and Trade and the Australian Trade and Investment Commission engage in a range of advocacy and outreach efforts to assist businesses understand the benefits and requirements of the different FTAs. This includes through the Department of Foreign Affairs and Trade FTA Portal website, which helps businesses navigate the benefits of overlapping FTAs and enables them to identify and access the most beneficial outcomes.

The Australian Government acknowledges that business-friendly provisions in FTAs assist small and larger businesses maximise the opportunities available under the agreements. SMEs may benefit from the inclusion of specific chapters

³ www.tradebarriers.dfat.gov.au

and/or provisions to assist them to use FTAs. SME Chapters in recent Australian FTAs have focused on transparency of trade obligations and cooperation, with a view to increasing FTA usage by SMEs. The SME-specific chapters in the Comprehensive and Progressive Agreement for Trans-Pacific Partnership and Peru-Australia FTA, and agreement to include an SME chapter in the European Union-Australia FTA, are examples of where Australia and its negotiating partners have agreed to include specific provisions aimed at SMEs.

Noting the inclusion of any obligation under an FTA requires the agreement of all negotiating parties, the Australian Government will continue to seek to include SME-specific chapters, and/or SME-specific aspects in traditional chapters such as Services, e-Commerce, Rules of Origin and Government Procurement, within our FTAs under negotiation.

Since 2015, the Government has conducted 134 FTA information seminars across Australia in metropolitan, rural and regional locations with almost two thirds of seminars held in rural and regional Australia to help SMEs and other businesses in the regions connect with global markets. The seminars support SMEs by promoting FTA awareness, and include information about how to take advantage of Australia's FTAs, including new agreements once they enter into force. To ensure exporters continue to hear about FTA benefits, the Australian Government has pivoted to a bespoke FTA digital seminar series tailored to the current business environment including information on accessing government support, market diversification, understanding trade terms and reducing export risks.

Recommendation 12

The Committee recommends that the Department of Foreign Affairs and Trade develop and release a plan for boosting Australia's exports and investment once the vast majority of Australia's trade is covered by FTAs (in line with the government's goal of achieving this by 2022).

The Australian Government supports this recommendation.

The Government has an ambitious trade and investment policy agenda which centres trade and investment as important factors in Australia's economic policy settings. Even when the vast majority of Australia's trade is covered by FTAs, the Government will continue to work with stakeholders to develop strategies to support ongoing growth in trade and investment. This will encompass ongoing implementation and review of all in-force trade agreements to ensure they remain fit for purpose; advocacy to support awareness and benefits to traders in the use of FTAs; keeping under review our approach to multilateral negotiations in order to strengthen the rules-based order; continuing whole of government efforts to address non-tariff barriers to trade; and the promotion of Australian exports and foreign investment through the Department of Foreign Affairs and Trade and the Australian Trade and Investment Commission's international networks.

Recommendation 13

The Committee recommends that the Australian Government conduct an assessment of Australian export industries that are over-exposed to a single market and work with industry towards diversification.

The Australian Government supports this recommendation.

The Government is currently examining diversification and market expansion across our major areas of trade and will work across government and with industry on identifying opportunities. While businesses ultimately decide where they export, the Government through the Australian Trade and Investment Commission, will continue to work with industry by providing support to exporters seeking to enter new markets, supported by the EMDG Scheme, to expand trade opportunities and diversify export markets. This work will be guided by analysis of Australia's supply chain vulnerabilities.

Recommendation 14

The Committee recommends the Department of Agriculture, Water and the Environment, in collaboration with state and territory governments, conduct an audit of the regulatory arrangements for agricultural exports (including seafood) and identify and implement actions in order to:

- Harmonise export regulation across local, state and federal jurisdictions, with an aim of achieving a best-practice outcome;

- Increase competitiveness for the agricultural industry, including assessing whether cost-recovery arrangements and export registration costs are deterring exports, and a comparison between Australia and its international competitors; and
- Assess the impact of red and green tape (at the state and federal levels) on the ability of the sector to reach its goal of growing Australian agriculture to \$100 billion by 2030.

The Australian Government supports this recommendation in-principle.

Australian agriculture has benefited from accessing overseas markets, with approximately 70 per cent of Australia's agriculture, fisheries and forestry production exported to more than 150 international markets.

The Department of Agriculture, Water and the Environment has always worked closely with the states and territories, peak industry bodies, third party providers and others to maintain our export systems, and we remain committed to doing so. We also work to maintain strong relationships with our international counterparts, to both expand our access to valuable export markets and to resolve issues affecting our exports as quickly as possible. While our exports have positioned Australia as a strong, competitive and sought-after supplier of high quality agriculture, seafood, food and fibre products, we recognise the importance of making sure our regulatory systems that underpin them are agile and robust to adapt to the ever-changing global trade environment. Doing so, ensures that our exports remain competitive in what is an increasingly complex global trading environment. In response to these complexities, the Department of Agriculture, Water and the Environment has started to work to transform our export systems and streamline our regulatory approaches. Working with exporters, states and territories, and our trading partners, we are looking to ensure our systems safeguard our reputation as a world class producer of high quality, safe, food and fibre. This includes:

- developing more data-driven regulatory approaches – to target areas of emerging risk and, over time, lessen the regulatory impact on exporters;
- integrating and upgrading our IT systems to make the needs of the exporter central to what we do;
- working with industry to prioritise and implement reforms that directly benefit industry bottom line without affecting our oversight; and
- driving inspection and arrangement reforms that maintain our regulatory oversight with the smallest regulatory footprint.

The Australian government has also established a Single Trade Window Taskforce that will investigate simplification of the existing rules and regulatory processes for border regulation.

Recommendation 15

The Committee recommends that the Department of Defence implement reforms to expedite Defence Exports Controls approval processes.

The Australian Government supports this recommendation.

The Department of Defence is conscious that exporters require quick, clear decisions to be commercially competitive and aims to finalise “non-complex” export applications within 15 working days. The assessment time to export defence goods to sensitive destinations can be lengthy, as applications require extensive consultation and deliberation before a decision is made. The Department of Defence acknowledges that timeframes for the assessment of export applications extended beyond these targets in 2019.

To address this, in July 2019, in response to Government direction, the Department of Defence began to implement process reforms to expedite the export controls assessment processes. This includes the introduction of a new framework for low risk applications and establishment of an internal taskforce which finalised over 50 per cent of cases by the end of 2019. The taskforce continued its work in the first half of 2020 to resolve remaining cases and progressively identify systemic and process improvements. These reforms have seen a significant improvement in assessment timeframes against the targets enabling approvals to clear the assessment process in line with industry expectations:

	Q1 2019-20	Q2 2019-20	Q3 2019-20	Q4 2019-20
Non-complex applications (completed in 15 days)	52 %	56 %	76 %	91%
Complex applications (completed in 35 days)	56%	66%	91%	86%

While notable progress has been made to reduce export application processing timeframes, the Department of Defence is committed to reducing these further.

Recommendation 16

The Committee recommends that the Australian Government progress its election commitment to implement a single digital window for trade as a priority.

The Australian Government supports this recommendation.

The Government appreciates the value industry place on a Single Trade Window. In June 2020, a whole-of-Government Single Trade Window Taskforce was established by the Australian Border Force to facilitate the development and delivery of a Single Trade Window.

The Australian Border Force-led Taskforce is working across Government to progress the Single Trade Window objectives to substantially reduce red tape for Australian traders and, in doing so, reducing the time and costs associated with doing business. The key elements that are required to enable a future Single Trade Window are aligned to existing Government initiatives. These include:

- the simplification of the existing rules and regulatory processes that will be delivered within the context of the Department of the Prime Minister and Cabinet led National Deregulation Agenda and Taskforce;
- key service and technology functionalities to complement those being progressed through the Permissions Capability Taskforce by the Digital Transformation Agency; and
- information for traders through the Australian Trade and Investment Commission's Trade Information Service and the Department of Infrastructure, Transport, Regional Development and Communications' Freight Data Hub.

Recommendation 17

The Committee recommends that the Australian Government introduce a refundable tax offset for video game development in Australia, similar to offsets provided to the film and television production industries.

The Australian Government does not support this recommendation.

The Government seeks to provide broad support to encourage innovation by aligning the tax system and business laws with a culture of entrepreneurship and risk-taking. For example, as part of the Government's National Innovation and Science Agenda, the Government introduced the Early Stage Investor Tax Offset which offers a 20 per cent non-refundable carry forward tax offset on investment in qualifying early-stage innovation companies, capped at \$200,000 per investor per year, as well as a 10 year capital gains tax exemption on eligible investments held for at least 12 months. Additionally, the Early Stage Venture Capital Limited Partnerships (ESVCLP) provide tax incentives for limited partners in new ESVCLPs investing in early stage companies.

Recommendation 18

The Committee recommends that the Department of Industry, Science, Energy and Resources examine opportunities to further involve Australian businesses, particularly small and medium sized enterprises, in the development and growth of Australia's space sector.

The Australian Government supports this recommendation.

The Australian Government is working to transform and grow a globally respected Australian space industry that also lifts the broader economy and inspires and improves the lives of all Australians. The Government sees space as an enabler for many other sectors. Australian industry has much to contribute, including in remote operations; building the next generation of Internet of Things (IoT) satellites; and delivering healthcare to astronauts. The Australian Government's goal, articulated in [Advancing Space: Australian Civil Space Strategy 2019-2028](#) is to triple the size of Australia's space industry to \$12 billion and create up to 20,000 new Australian jobs by 2030.

Providing opportunities to involve Australian businesses, including SMEs, in the development and growth of Australia's space sector is crucial to achieving the Government's goals for growing the sector. The Australian Government is currently supporting the sector through three funded initiatives:

1. The International Science Investment initiative (\$15 million over three years from 2019-20) will provide grants to strategic space projects that build relationships with international space agencies for the benefit of the Australian space industry.
2. The Space Infrastructure Fund (\$19.5 million investment over three years from 2019-20) is for seven infrastructure projects to fill gaps in Australia's space infrastructure.

3. The Australian Moon to Mars initiative (\$150 million over five years from 2020-21) supports Australian businesses and researchers to join with NASA on its plan to return to the Moon and on to Mars.

The Government, through the Australian Space Agency and the Australian Trade and Investment Commission are working to open up trade, investment and export opportunities for Australian businesses including SMEs. The Australian Space Agency and the Australian Trade and Investment Commission have run space industry business missions and are working on international frameworks to generate ongoing opportunities for the sector, such as with the UK. The Government will continue to build closer relationships with adjacent industry sectors as they look to utilise and contribute into the space sector.

Recommendation 19

The Committee recommends that the Department of Foreign Affairs and Trade and the Department of Education, Skills and Employment develop and implement a strategy to expand offshore delivery of university education and vocational education and training.

The Australian Government supports this recommendation.

The Government's *National Strategy for International Education 2025*, together with the long-term market development roadmap, *Australian International Education 2025*, signals the sector's and the Government's commitment to work together to advance international education by identifying new products and opportunities for expansion, and building on Australia's current presence in existing markets.

Australia's Transnational Education (TNE) capability and online delivery of education is being promoted and demonstrated through the Australian Trade and Investment Commission led education and training delivery under Study With Australia campaigns. The Government is supporting high potential Australian education exporters, including Australian edtech companies, within the Australian Trade and Investment Commission's new client service pilot program.

The Government is currently developing a new International Education Strategy, which will consider how to grow the international potential of Australia's transnational education sector and online delivery alongside traditional face-to-face learning, given the important role they can play in meeting the global demand for high quality education and training delivery, and to help support the international education sector recover from the impacts of the COVID-19 travel restrictions. The International Education Strategy will build on the strengths of Australia's high quality education and training system, and help achieve greater recognition of the benefits of education and training services, and products delivered offshore. The new strategy will support expanded delivery of Australian qualifications and courses offshore through overseas branch campuses, partnerships with foreign institutions, and online offerings from Australian education and skills providers.

The Government continues to strengthen government-to-government links in new and emerging markets to support expanded global opportunities for the education sector, including through negotiation of FTAs to open up new markets, overcoming barriers to entry for Australian providers wishing to deliver offshore, and building regional policy alignment on occupational standards. Further, Australia is driving multilateral engagement on key regional issues such as conventions to recognise foreign qualifications through the United Nations Educational, Scientific and Cultural Organization, and building regional alignment on quality assurance to facilitate transnational education.

Recommendation 20

The Committee recommends that the Australian Government investigate ways of encouraging the growth of Australian-based telehealth services, particularly those with an export focus, in light of the COVID-19 pandemic.

The Australian Government notes this recommendation.

The Australian Trade and Investment Commission is actively supporting Australian telemedicine and digital health companies to develop new export markets in Asia and globally, by providing market entry advice and information to companies and through targeted trade promotion activities, delivered with partners.

Privately practicing providers are free to offer their services to privately paying consumers or through other organisations overseas, for business or humanitarian purposes. This may include clinical services, advice or education and training – the Department of Health notes that this may be occurring, however it is not able to monitor this activity. The Australian Government will not provide a rebate for an exported service, even for Australian nationals overseas. The Department of Health does not regulate against the practice.