

Submission to the Joint Standing Committee on Treaties Inquiry into the World Trade Organisation Government Procurement Agreement

The Export Council of Australia (ECA) welcomes the opportunity to make a submission to the Joint Standing Committee on Treaties Inquiry into the World Trade Organisation (WTO) Government Procurement Agreement (GPA).

The ECA is the leading industry body focused on Australia's international businesses, particularly small to medium-sized enterprises (SMEs). Our core activities include research, advocacy, skills development and events.

Our advocacy program aims to make it simpler and cheaper for SMEs to engage in international business. To pursue this aim, each year we make trade policy recommendations to the Australian Government. We also make submissions to relevant Parliamentary inquiries. Our recommendations and submissions can be found at <https://www.export.org.au/trade-policy/trade-policy-recommendations>.

We collaborate with a number of government agencies—Commonwealth, state and territory—to advocate for our members and support SMEs. We sit on several Australian Government consultative committees and working groups, including the National Committee for Trade Facilitation.

Summary

Access to foreign markets is extremely important for businesses that sell goods and services to governments. The ECA encourages the Australian Parliament to ratify the WTO GPA. Doing so offers major benefits with no costs.

There is no downside for domestic businesses competing for domestic government contracts, as Australia already has open government procurement markets.

For exporters, it opens up new markets, enhances certainty in existing markets and provides the right of review for discriminatory conduct.

It also reinforces the importance of the WTO as the basis for the global trading system and highlights that despite major obstacles and negative press, the WTO can still deliver freer trade.

The ECA recommends the Joint Standing Committee on Treaties:

- recommend the Parliament ratify Australia's accession to the World Trade Organisation Government Procurement Agreement as soon as possible
- recommend the Australian Government facilitate training, advice and support for SMEs seeking to sell to goods and services to governments covered by the GPA and Australia's other free trade agreements.

Submission

The ECA is a strong supporter of the Australian Government entering into agreements on government procurement as part of bilateral and regional trade agreements, and the ECA supports Australia acceding to the WTO GPA.

Australia has a relatively open approach to government procurement. The ECA supports this. The government must seek to achieve the best value outcomes for Australians, and must do so within constrained resources. An open market for government procurement is an essential way of achieving this.

The importance of foreign government procurement for Australian businesses

The Australian Bureau of Statistics (ABS) estimated that in 2017-18, Australia exported government goods and services worth \$1.13 billion (see ABS catalogue number 5368.0.55.003). This figure, however, understates the true value as it only counts export earnings not included in other goods and services categories (for example IT services, and construction and medical equipment, are not included in government procurement figures).

Unlike some sectors where business export to expand market share, for many businesses selling goods and services to government, exporting is essential in order to remain viable.

Often these businesses—ranging from small firms operating in niche policy areas to major infrastructure firms—will build expertise and grow workforces when domestic governments are spending on particular programs or projects. But domestic government spending is sporadic. There may not be sufficient work to sustain these businesses until the next domestic contract.

Instead of laying off workers and losing expertise, selling to foreign governments allows those businesses to survive (even thrive) when domestic spending dries up. And as a result of their export contracts, when domestic governments start spending again those businesses are more experienced and can provide better value to Australian taxpayers. (Conversely, without the ability to sell to foreign governments there may not be any domestic businesses capable of selling to governments in Australia when the spending re-starts.)

Anecdotally, exporting to foreign governments has also been an important pathway for Australian businesses to win contracts with Australian governments. Several members have told the ECA they were not able to break into Australian government procurement markets until they had demonstrated their capabilities by selling to foreign governments.

Given this importance, guaranteeing existing access to existing markets—and opening up new access—is extremely important to Australian businesses that sell goods and services to government.

Ratifying the WTO Government Procurement Agreement

The ECA strongly supports the Parliament ratifying the WTO GPA.

The Department of Foreign Affairs and Trade advises that the GPA will have no impact on domestic government procurement outcomes. Australian Government procurement

processes are already consistent with the GPA, and it contains sensible carve-outs for areas such as defence, security, Indigenous, SME and local government procurement.

Australia acceding to the GPA will deliver immediate benefits to Australian exporters in two ways. Firstly, it will guarantee access to GPA markets that are not currently covered by trade agreements with Australia. This includes the EU, EU member states (including—at the time of writing—the UK), Israel and Chinese Taipei.

The GPA also extends guaranteed government procurement access to major US states not covered by AUSFTA, such as Arizona, Iowa, Massachusetts and Minnesota (which have a combined gross state product greater than Australia's GDP).

The WTO has estimated (after a major upgrade to the agreement in 2014) that the GPA provides guaranteed access to members' government procurement markets of \$US 1.7 trillion p.a.

Secondly, and perhaps just as importantly, it will allow Australian businesses to have complaints about government procurement reviewed by independent bodies. This is important, as the ECA has heard anecdotally of Australian businesses facing discriminatory practices when trying to access government procurement in some GPA member markets.

Australia acceding to the GPA will also give it a stronger negotiating position with other parties seeking to accede to the GPA, than Australia would have in bilateral negotiations with the parties. For example, the China-Australia FTA (CHAFTA) contains a commitment to future negotiations on government procurement. Australia would have far greater influence in negotiating with China as part of China's accession to the GPA than it would under subsequent CHAFTA negotiations.

The ECA supports the Australian Government continuing to include chapters on government procurement in the bilateral and regional trade agreements currently under negotiation and also those due to start. This includes the Regional Comprehensive Economic Partnership, and the Australia-EU FTA. It should also seek to include government procurement with the planned FTA with the United Kingdom.

Training, advice and support for SMEs seeking to enter GPA markets

Government procurement is a complex area and Australian SMEs are largely unaware of their rights under trade agreements.

Through grants, roadshows and the excellent FTA portal, the Australian Government has done a good job in helping SMEs understand the basics of how to utilise FTAs—most notably, taking advantage of tariff reductions. But there is a major lack in understanding when it comes to the more complex areas of these agreements, such as government procurement.

The ECA recommends the Australian Government do more to raise awareness of these provisions, and educate SMEs about how to use them (including recourse for resolving disputes). This should be coupled with outreach about opportunities for Australian SMEs in major GPA and FTA markets, as well as advice on how to navigate key government procurement systems.

Reinforcing the importance of the WTO

Australia acceding to the GPA demonstrates to the Australian public and the world that the WTO can still make a difference.

The organisation faces a number of headwinds (such as the US unilaterally imposing punitive tariffs, and vetoing judges to the appellate body) and critics claim it achieves nothing. But most people don't recognise the WTO's fundamental importance to the world trading system.

Australia acceding to the GPA is a win for the WTO. It demonstrates that despite these headwinds, the organisation is still slowly but surely progressing the cause for free trade. On the other hand, should Australia—a leading advocate for free trade globally—fail to ratify the agreement, it would be a major setback for the credibility of the WTO.