



JSCFADT Sub-committee Submission

Access to Free Trade Agreements by Small and Medium Sized Enterprises

Introduction

Business entities, including Small and Medium Enterprises (SMEs), are the main users of Free Trade Agreements (FTAs). It is paramount that government negotiators and other decision-makers receive advice and information from a wide range of experts, stakeholders and other interested parties in order to develop evidence-based policy, drawing on international best-practice, to help to open markets and break down behind-the-border barriers to trade.

Export-ready Australian businesses must engage proactively with key stakeholders to ensure that trade rules are pragmatically beneficial to their commercial interests. Key stakeholders include:

- Australian government trade departments/agencies (Department of Foreign Affairs and Trade (DFAT), Austrade and State and Territory Government Trade & Investment offices);
- Professional advisors and industry representatives (industry associations / chambers of commerce); and
- Diplomatic networks within Australia and abroad (Embassies and consulates, Missions to the WTO, Trade Support Institutions etc.)

Once FTAs enter into force, the role of trade support institutions and professional advisors and institutions, such as Austrade and KPMG, becomes essential in raising awareness of and explaining the functioning of often complex rules. This is particularly evident with regard to SMEs, which generally lack the necessary in-house technical expertise and systems to utilise FTAs effectively.

As such, we appreciate being afforded this opportunity to provide feedback based on KPMG's experience in advising Australian SMEs on various aspects of the global trade issues as a core service offering under our *Access Asia* brand.

KPMG welcomes and encourages the continuation of government activities aimed at fostering inclusiveness for businesses in the formation and enforcement of trade regimes and we welcome the opportunity to provide our submission in relation to SME use of FTAs.

Free Trade Agreements: Lessons, Barriers and Success

In recent years, Australia has entered into FTAs with nine countries or groups of countries including: China, Japan, Korea, USA, Singapore, Thailand, ASEAN + NZ (ANZFTA), Malaysia and Chile, with the majority of these being from within the Asian region.¹ Significantly, between 2014 and 2015, the Australian Government agreed FTAs with the three major North Asian economies – China, Japan and Korea.

¹ Department of Foreign Affairs and Trade



FTAs concluded but not yet in force include TPP-11, Peru and Pacifica Agreement on Closer Economic Relations (PACER). The Government is pursuing further FTAs with other key economies that are currently less serviced, such as Indonesia, which KPMG envisages will also create impressive growth potential for many Australian SMEs.

These agreements have the potential to very positively impact Australian exporters, industries and regions in terms of both trade market access and foreign investment.

In our experience, the recent FTAs secured by the Australian Government have been a catalyst for greater interest in international engagement from the Australian SME community and have already delivered tangible benefits to our exporters and importers. In particular, we have seen an increase in client awareness and confidence in relation to the opportunities that Asian markets offer, a more strategic approach to determining where our clients will play and how they will win, and a greater ambition in approach to international engagement.

Through our *Access Asia* trade consulting services initiative, KPMG is working with many medium-sized Australian companies across a wide range of industries – including agriculture, food & beverage, branded consumables, advanced manufacturing, technology and services. We work with small cap listed and private companies to develop Asian and international market entry and growth strategies, to find the right supply chain and distribution partners in-market, to take advantage of various government grants and incentives on offer and to make the best use of FTAs for lower foreign taxes and greater market access.

The gradual reduction of historic tariff barriers, coupled with increasing Asian upper-middle class consumer brand awareness of our high quality Australian exports has unlocked a latent demand for Australian products across the region.

Despite this, we are now witnessing that non-tariff barriers are having a greater impact and are constraining SMEs' abilities to meet demand in Asian markets. Resolving non-tariff barriers appears to be one of the greatest current challenges and therefore priorities for government to address.

These particular barriers include the following.

- **Complex Rules of Origin requirements** and the related administrative challenge for SMEs in being able to comply with trade regulations and in coping with the number of complex processes involved.
- **The culture of doing business** varies across Asia and between the region and Australia. SMEs struggle to understand language differences and certain practices within Asian business, such as saving 'face', engaging in 'Guan Xi' and other business practices that simply remain illegal for Australian companies. Though FTAs assist businesses with getting their goods and services into a market, they do not overcome the complex people, language and culture factors that are common in transactions and business relationships between Australia, Asia and other developing markets.



- **Classifications of goods and definitions** differ between countries and various overlapping FTAs. SMEs often struggle with properly noting the value, tariff classification and related elements, to ensure they are accessing the appropriate rules of the FTA.
- **Documentary and technical non-tariff barriers** which require SMEs to navigate excessive paperwork and in-country legal requirements (often in foreign languages), such as licensing and labelling laws, in order to access the markets to which they propose to export.

Professional services firms, Australian corporations and the Australian Government are well placed to take a lead in helping SMEs to overcome these barriers to utilising FTAs.

In our view, a number of key initiatives would help to engage more effectively with Asia and, indeed, with all our FTA counterparties:

- **Helping SMEs to formulate effective market engagement strategies** - Through our *Access Asia* initiative, we regularly assist businesses to understand how to engage effectively with Asian export markets. Our consistent experience is that SMEs rush to perceived opportunities without doing their homework. They require comprehensive market-entry and then growth strategies which consider the wider regulatory, local market and non-tariff hurdles to market success, including the benefits of FTAs and how best to access them.
- **Helping SMEs to develop useful commercial relationships** - SMEs entering a new market often require support in finding appropriate, trustworthy supply-chain and distribution partners and in then developing an understanding of mutual goals. We believe that government (including Austrade and EFIC) could work with professional services firms and corporations to effectively leverage networks across Asian markets to conduct high-level due-diligence activities to determine the suitability of potential in-country partners, provide Australian SMEs with a trusted network and to establish realistic expectations regarding business cultures and relationships.
- **Making administrative requirements clearer and compliance simpler** - Providing SMEs with access to easy-to-use and intuitive digital systems and documents to determine FTA eligibility, to obtain export certificates and relevant approvals, such as establishing a 'single window' to government, would enable SMEs to speed up the export process and allow them to focus on the complexities of doing business in Asia.

There is no doubt that a range of tools and educational initiatives are available to SMEs through various federal and state government departments and agencies. However we are of the view that a coordinated approach between government, industry associations and professional advisors to help SMEs navigate free trade agreements using advanced technology through an integrated single window is critical.

We have taken this opportunity to outline our views on how this can be achieved in our submission.



Effectiveness of support structures and networks

Grants and incentives

The Export Market Development Grant (EMDG) scheme is an important support mechanism for qualifying companies seeking to develop export markets. In our experience, it is an effective support mechanism and does help recipients accelerate their growth in new markets. For those with queries, Austrade continues to provide good support to applicants through its EMDG Hotline. In our experience and based on observations, payment processing times are now increasing, which is significantly eroding the benefit of the grant to SMEs. There has also been a decline in the final grant amount received in the second tranche payment, owing to an increase in claims received per grant year (3,771 in 2017 compared with 2,715 in 2013)² without a corresponding increase in the budget.

There can be a substantial administrative burden associated with this program, though changes (such as the per diem allowance for travel) have greatly reduced the number of receipts required in some areas. Despite this move, we note high levels of audit activity and (in some cases), the rejection of applications for reasons not supported by Austrade's guidelines and the EMDG legislation. The ongoing audit activity is coupled with increasingly slow responses from Austrade and delays in the finalisation of audits (when compared with previous years). We are aware of circumstances where Austrade has not provided the applicant with an opportunity to respond to queries before finalising an audit. This administrative burden and increasingly strict approach to audits risks reducing the effectiveness of the grant.

Recommendation:

- *Review the potential for technology to reduce the administrative burden for Austrade and applicants – for example the use of existing digital solutions to make it easier for applicants to collate and authenticate expense claims and for Austrade to access information and streamline assessment processes.*

Trade delegations

Badge of government is an excellent 'door opener' for Australian SMEs to explore opportunities in many of Australia's top and emerging trade partners. In our experience, government-to-government links can result in meetings between businesses and domestic organisations and agencies that can be integral to effective market entry and success. It is also important to note that these benefits can be realised on smaller missions, with or without a Minister present.

Historically the state and Commonwealth governments have provided the majority of trade mission support, though local governments and councils are becoming increasingly active. Where multiple governments are involved in supporting a trade activity (e.g. a presence at an

² Based on figures published by the Australian Trade Commission (Austrade)



international trade show) it is important that activities and support are coordinated and that any in-market presence is one of 'Team Australia'.

Many trade missions include a series of networking events and targeted roundtable meetings for mission participants and their hosts. These, when done well, foster formal and informal links between Australian and foreign businesses and policy makers. This not only creates opportunities for new business to be done but facilitates the flow of ideas and information between the two (or more) economies.

We must also continue to forge stronger links between Australian federal and state government representatives and industry. Trade missions and related engagement activities provide government officials with opportunities to understand the prospects and challenges facing Australian businesses in an increasingly globalised world. This information and these links can be used to support policy development and improve the effectiveness of future trade development activities supported by government.

Recommendation:

- *Increase the number of smaller, non-Ministerial, industry-focused trade delegations with an emphasis on matched one-on-one business meetings which should lead to more practical trade outcomes beyond learning and networking.*
- *Ensure there is a 'Team Australia' approach, whenever possible, for government-supported trade activities. Consistent branding is important and avoids the risk of confusing hosts.*

Education

As noted previously, there are a range of government and industry products and services available to educate SME exporters on FTAs and export strategy. These include, but are not limited to:

- The 'Free Trade Agreement Portal' launched by DFAT in 2016 that enables exporters and importers to access free information regarding tariffs under Australia's FTAs and a step-by-step system to assess whether particular products are likely to satisfy the requirements of particular FTAs.³
- A variety of initiatives administered by Austrade, including assistance provided to SME exporters via the TradeStart network and 'FTA Toolkit' resources to support outreach, promotion and presentations in relation to Australia's FTAs.⁴
- Resources and assistance provided by state and local governments, for example, the NSW government's detailed 'Export Accelerator Toolkit'⁵ and a range of practical workshops and

³ Accessible at <https://ftaportal.dfat.gov.au/>

⁴ Accessible at <https://toolkit.fta.gov.au/>

⁵ Accessible at

https://www.industry.nsw.gov.au/__data/assets/pdf_file/0010/55999/NSWTI_Export_Accelerator_Toolkit.pdf



resources made available to exporters across NSW via the 'Export Capability Building' and 'Export Labs' programs.⁶

- A host of workshops, webinars, seminars and one-on-one advice in relation to benefits of Australian FTAs and how to access them provided by a broad range of industry associations and business chambers and educational providers, including the Export Council of Australia, Australian Chamber of Commerce and Industry and Australia China Business Council.⁷
- Advice and assistance provided by various leading Australian banks on the financial aspects of export trade and considerations that support an assessment of whether an SME is ready to export. In particular, we note the work of ANZ in this area and, specifically, the development in partnership with the Export Council of Australia of its free 'Be Trade Ready' digital tool.⁸

One of the great challenges facing SMEs is therefore ascertaining which of these services will provide them with the greatest benefit and best advice to suit their export goals.

In our view, and as noted previously, simply expanding the volume of education provided will not overcome this challenge. Rather, a co-ordinated 'single trade window' approach by governments, industry associations and professional advisors, supported by advanced technology, will provide greater benefit to SMEs' ability to access FTAs.

Recommendation:

- *Establish a 'single trade window' for SME exporters that will intuitively guide them to education, products and services that suits the exporter's purpose. Use real case studies to show how it's been successfully (or unsuccessfully) approached in the past.*

Free Trade Agreements: advance products, technology and services prioritisation

A lot has changed in the three decades that have passed since our first FTA was negotiated with New Zealand. A comparison with some of our more recent agreements, such as the ChAFTA and the TPP-11, reflect the maturity and diversity of Australia's domestic markets, our global trade relationships and the complexities of economic integration in fluid geo-political climates. Simply put, our policy makers and negotiators needed to think about more than base commodities, and are doing a commendable job.

However, ensuring that our agreements effectively cater for the rapid pace of innovation in Australian markets and new and emerging categories of merchandise is a challenging task. It relies upon an effective conduit to carry the voices of SMEs to Australia's FTA negotiators, which may be lacking or (in the case of agribusiness) 'crowded out' by too many industry representative voices.

⁶ See <https://www.industry.nsw.gov.au/export-from-nsw/export-assistance/export-capability-building-program>

⁷ Many of which were recipients of grants during the 2015-16 and 2016-17 financial years under the auspices of the Free Trade Agreement Training Provider (FTA-TP) Grant program administered by Austrade

⁸ Accessible at <https://betradeready.anz.com/>



While Australia's large agricultural producers have access to, and are accessing, FTA benefits, there is a vibrant, growing community of SME producers of organic products and other small-batch production that needs to be considered in the frameworks of negotiated benefits and in targeted commitments to identify and reduce Technical Barriers to Trade. Our SME producers need to be aware that FTAs are also meant to provide benefit for them and not just for the "big end of town".

Another key dimension of Australia's modern FTAs is the inclusion of commitments that recognise the growing importance of trade in services to the economic integration of Australia and its FTA partners – which have featured in specific chapters of each FTA since the Thailand-Australia FTA entered into force in 2005.⁹ The recently concluded TPP-11 includes perhaps the most comprehensive and detailed agreements on trade in services of any FTA to date. We also note that Australia is playing a lead role in the ongoing negotiations of the Trade in Services Agreement (TiSA) that seeks to address barriers to international services trade between a subset of WTO member economies which collectively account for ~70 percent of global services trade. In short, it is clear that the relevance of trade in services in the context of facilitating trade is now front of mind to policy makers and we fully encourage and commend the Australian Government's efforts in this space.

At a basic level, to facilitate increased cross-border trade in services, parties must agree to implement rules and processes that enable foreign service providers from FTA partner countries to engage effectively with domestic markets, establish a commercial presence and do business within their borders on more or less the same terms as domestic providers. The ways in which domestic regulatory regimes may unintentionally establish barriers to successful market entry for foreign service providers is not always clear – making the design and negotiation of services commitments a much more challenging task than is the case with merchandise trade.¹⁰

These issues have been recognised by the Australian Government and some efforts made to ensure our FTAs effectively tackle unnecessary administrative red tape and other barriers to entry for our services exporters. Examples of this are reflected in recent updates to the Singapore–Australia Free Trade Agreement (SAFTA).¹¹

Our experience working with SME services exporters suggests that further action is needed to ensure that FTA instruments are as effective in reducing barriers to service exports as they are in relation to helping merchandise exporters 'go global'.

⁹ Supported, in part, by the framework of principles negotiated by WTO members as part of the Uruguay round of negotiations in 1994 and documented in the General Agreement on Trade in Services (GATS)

¹⁰ There are, of course, a variety of complex issues beyond tariff reduction that must be considered to effectively address trade facilitation in the context of merchandise trade, including non-tariff barriers and customs administration.

¹¹ The Hon Steven Ciobo MP Minister for Trade, Tourism and Investment *"The amended SAFTA delivers big wins for Australia's services industries, with greater access for education, legal, financial and other professional service providers. It also reduces unnecessary red tape for Australian exporters."* Media release 19 October 2017



In particular, Australia has a sophisticated domestic market of medium-sized financial services providers that has traditionally been domestically oriented.¹² Regulatory constraints are a significant barrier to greater international engagement including those associated with establishing businesses and the marketing and provision of services in foreign markets. For example, Australia's funds management industry is one of the most respected and best performing in the world yet many SME fund management companies have been unable to expand into Asia due to the complexity and cost of entering a new market.

We recognise that the Australian Government is working on a number of domestic and regional initiatives to address these challenges. The Corporate Collective Investment Vehicle (CCIV) and Asia Region Funds Passport and recent submissions to Treasury are clear examples of this. However, given the growth in Australian service industries, we encourage the inclusion of tangible and measurable actions and associated mechanisms in future FTAs that help Australian SME services providers to understand and take advantage of services commitments.

Awareness of and accessibility to free trade agreements

FTAs are complex instruments. Australia's recent North Asian FTAs and the TPP-11 are illustrative of the scale and complexity associated with negotiating principles of economic integration. The agreements are written in a very detailed, legal style and are accompanied by volumes of technically complex schedules. They require teams of negotiators, policy makers and lawyers to develop over many years. It can sometimes feel like a similar concentration of effort is required to dissect, digest and interpret the practical implications of FTAs for particular industries and particular supply chains. Additionally, FTAs are not static documents – they are designed to mature and change as particular negotiated benefits enter force and as a result of ongoing dialogue between parties.

In our experience, most SMEs that are currently exporting or are exploring potential export markets are aware of Australia's FTAs (particularly those with our North Asian trading partners). These businesses generally have a basic understanding that the agreements have negotiated preferential benefits that can differentiate Australian products from goods produced by third countries or by domestic producers. Some SMEs also appreciate that benefits do not apply automatically and that they must comply with specific administrative processes to qualify their goods for preferential treatment – that is, to 'use' FTAs.

However, based on our experience and observations, many still do not understand how they can use FTAs and a large proportion feel that they don't have a voice in FTA negotiations. As a consequence, they do not see the connection between an FTA and their commercial activities. As the Committee will appreciate, there is a significant and meaningful difference between understanding and use when it comes to FTAs.

We believe that two issues are at the heart of inconsistent FTA usage by SMEs:

¹² This was highlighted in the 'Australia as a Financial Centre: building on our strength's' report ("Johnson Report") handed down in January 2010 which stated: *while Australia is a very open trading economy overall, our exports and imports of financial services as a percentage of GDP are, by international standards, low.*



- **The mechanics of FTA utilisation** - the administrative processes for claiming preference and the associated transactional cost of FTA use; and
- **The recognition of the FTA use as a value driver** – many SME exporters lack the capability to understand how negotiated FTA benefits apply to their commercial activities and export goals and the capacity to incorporate this into an effective market engagement strategy, brand proposition and pricing strategy.

The concept of ‘using’ an FTA can downplay the fact that qualifying individual products for preferential treatment and obtaining relevant certification is relatively complex and time-consuming. Furthermore, to have a meaningful impact on the exporter’s commercial proposition, the management of this process must be evidence based, compliant and sustainable.

In the work we do with clients as part of our *Access Asia* initiative, we have often found that making some adjustments in internal processes and operational behaviours are firstly needed to make FTA use part of ‘business as usual’ activities. However, this is often not top of mind for the employees responsible for export sales and operations. Additionally, whilst some grants are available to SME exporters to develop their markets, there is a transactional cost associated with documenting the origin of goods and managing FTA compliance.¹³

In our view, to be effective and sustainable, FTA use must be part of a holistic export development strategy. This is reflected in our work with SME exporters, which is focused on the design and deployment of practical solutions at all phases of the agreed strategy of their go-to-market journey. This includes:

- helping SMEs to refine commercial strategy and assess the commercial viability of export markets;
- optimising supply chain management processes and critically evaluating their readiness to export as well as assisting their engagement with counterparties in export markets;
- advising SMEs on how to stay on top of their international trade compliance responsibilities and manage risk effectively.

We believe that this type of work benefits from support and resources made available by government, and is most effective and efficient when delivered in conjunction with professional services providers.

Recommendation:

- *SMEs would benefit from access to a single, centralised source of relevant and practical resources (including digital tools and documentation) contributed by the Australian government and the private sector.*

¹³ Regulatory compliance requires the collection of production documentation, identifying and applying complex Rules of Origin to determine whether their product qualifies for FTA benefits, completing certificate of origin templates and getting certificates ‘rubber stamped’ by an industry body for \$30-50 (which can take days to arrive and is in hard copy).



Capacity building and capturing more value

The role that technology can play

Documentary compliance requirements, as noted previously, are a key cause of friction in the management of modern supply chains. We believe that technology can and should play a major role in facilitating and removing barriers to international trade. In particular, we support the Australian Government's exploration of options to modernise the way our businesses engage with international markets, including by developing a digital 'single window' for international trade that would enable the centralised submission of electronically standardised import and export requirements. In terms of the potential impact of improvement in these areas, we note recent UN modelling suggests that the digitisation of trade paperwork could facilitate Asia-Pacific countries' exports to increase by USD 257 billion a year.¹⁴

We were pleased to read the recent submissions by the Department of Home Affairs to the inquiry into the trade system and digital economy that outline aspects of the Department's trade modernisation agenda and the role that emerging technologies such as distributed ledgers, artificial intelligence and data analytics can play in facilitating transparent, secure and frictionless trade flows.¹⁵

KPMG's experience is that the application of these and other technologies can directly help Australian traders embed FTA utilisation into their approach to engaging with counterparties and managing their supply chains. For example, we use advanced data analytics and visualisation to help importers and exporters map their supply chain and trading activity profile and to diagnose pain-points, efficiency drags and to identify and exploit commercial opportunities under trade facilitation frameworks. We are also actively exploring how robotic process automation and artificial intelligence can be used to augment high-volume, recurrent tasks associated with the use of FTAs such as the identification and application of FTA rules of origin, standardisation of documentation processes and management of compliance.

Government has a key role in assisting our SMEs to access cost-effective technology-enabled pathways to use FTAs and develop practical skills in the use of technology. This could include facilitating greater collaboration with professional services providers to ideate and develop digital solutions to alleviate the administrative and operational burdens of FTA claim compliance and to elevate SMEs' understanding of the potential applications of technology to their operating environment.

It is also important to appreciate the significant role that e-commerce plays in Australia's SME export story. We have witnessed exponential growth in consumers' utilisation of e-commerce platforms, particularly in the use of mobile devices. To give a sense of the scale of this growth, Asia Pacific mobile internet penetration is currently estimated at 41 per cent and is expected

¹⁴ The Economist 'The Digitisation of Trade's Paper Trail May be at Hand' (22 March 2018) available at: <https://www.economist.com/news/finance-and-economics/21739159-administrative-obstacles-loom-larger-technological-ones-digitisation>

¹⁵ Submission number 15 available at: https://www.aph.gov.au/Parliamentary_Business/Committees/Joint/Trade_and_Investment_Growth/Tradeanddigitaleconomy/Submissions



to rise to 63 per cent by 2025, whilst three of the top five smartphone markets are Asian.¹⁶ An increasing number of Australian SMEs view e-commerce channels as a quick, simple way to engage with customers in Asian markets and distribute bulk volumes of goods at a much lower cost than traditional sales channels.

In our experience, SME e-commerce exporters encounter a range of unique challenges. This includes reduced oversight and control of the foreign market supply chain (including last mile logistics), engagement with local customers and potential damage to their brand and reputation (through tampering, delays or failed order deliveries). Government and private sector advisors can make a real impact in tackling some of these issues by educating e-commerce exporters to understand the practical implications of domestic market dynamics and develop sustainable relationships with viable in-country partners. KPMG does this through our network of international member firms and our ability to offer clients oversight of their operations in multiple markets, assisting with brand and supply-chain control.

Additionally, it is critically important that future FTAs negotiated by the Australian Government recognise the increasing importance of e-commerce trade for the growth and development of the world economy and economic integration between Australia and its key trading partners. This should include specific commitments in relation to the facilitation of digital trade by enabling the free movement of goods transacted via e-commerce channels.

Recommendation:

- *Government should engage with private sector partners to advance research and development of digital trade initiatives and trade technologies.*

Recommendation:

- *Government should support SME traders to develop core competencies in the use of technology to support their international engagement and trading activities.*

Recommendation:

- *Future FTAs should include specific commitments in relation to the facilitation of trade transacted via e-commerce channels including the free movement of goods and differentiated customs procedures.*

Why we must measure FTA utilisation to improve patterns of FTA use in Australia

As famed consultant Peter Drucker once mused ‘what’s measured improves’. Measuring the use of FTAs is a challenging pastime, not least because it is unclear what it is we should be measuring to form an accurate view of utilisation and utility. With over 400 Regional Trade Agreements currently recorded by the World Trade Organisation, more than one hundred of which have been registered since 2012, it is safe to say that the task is more complex today than it has ever been. It has also never been more important.

¹⁶ GSMA, The Mobile Economy, 2018



It is not surprising that the effectiveness of FTAs in achieving negotiated positions and the utilisation of FTAs by Australian traders has been scrutinised from various perspectives and makes for a reasonably dense and colourful patchwork. Key threads include the Productivity Commission's 2010 Report on Bilateral and Regional Trade Agreements;¹⁷ various econometric studies¹⁸ and countless business surveys that have explored levels of understanding and use of FTAs in Australian business communities.¹⁹ The most recent addition to this discourse in Australia came in February 2018 with the publication of a Free Trade Agreement Utilisation Study commissioned by the Department of Foreign Affairs and Trade (DFAT FTA Study).²⁰

Survey instruments are useful diagnostic tools, but they are limited by the size of their distribution groups, user uptake and subsequent sample set, methodology and differing levels of understanding and potential user error.²¹ What is currently missing from our approach to FTA usage for export trade is the availability of mechanisms at the border to collect, aggregate and analyse data regarding Australian exports at the transactional level, including the identification of FTA documentation.

Recommendation:

- *Government should explore potential approaches that would enable export data to be centrally captured, aggregated, anonymised and analysed so that reliable and accurate FTA utilisation data can be made publicly available.*

References

Austrade. (2018, April 3). *News - Popularity of EMDG continues to grow*. Retrieved from Austrade: <https://www.austrade.gov.au/Australian/Export/Export-Grants/news>

¹⁷ Productivity Commission, *Bilateral and Regional Trade Agreements* (November 2010)

¹⁸ Including, for example, the Centre for International Economics' 2015 Report on the Economic Benefits of Australia's North Asian FTA's commissioned by the Department of Foreign Affairs and Trade and available at <http://dfat.gov.au/about-us/publications/Documents/economic-modelling-of-australias-north-asia-ftas.pdf>

¹⁹ Some standout examples include the annual 'Trade Survey' conducted by the Australian Chamber of Commerce and Industry (ACCI) and the Australian International Business Survey (AIBS) conducted by the Export Council of Australia, the Australian Trade and Investment Commission and the Export Finance and Insurance Corporation – now in its fourth year.

²⁰ Available at <http://dfat.gov.au/about-us/publications/trade-investment/Documents/free-trade-agreement-utilisation-study-pwc-report.pdf>

²¹ For example, lower levels of understanding of FTA benefits, potential misunderstanding of the concepts of FTA use and utility and a greater degree of outsourcing of trade compliance functions to third parties (e.g. customs brokers) by SME level traders could impact the quality and reliability of utilisation data



Appendix A - Invitation

The Joint Standing Committee on Foreign Affairs, Defence and Trade (JSCFADT) is undertaking a new inquiry into the access to free trade agreements by small and medium sized enterprises for examination and report to the Parliament of Australia. The terms of reference are included below and a media release attached.

The inquiry is being conducted by the JSCFADT's Trade Sub-Committee and shall examine the opportunities and challenges facing small and medium Australian export-oriented businesses that are seeking to leverage free trade agreements for the export of goods and services.

The Sub-Committee, chaired by Mr Ted O'Brien MP with Mr Graham Perrett MP as Deputy Chair, has asked that I bring this inquiry to the attention of the KPMG Australia after reviewing KPMG's 2016 report *Access Asia – Leveraging Free Trade Agreements for Australia Trade Growth*. The members and senators would welcome a submission from KPMG Australia or any of its Asia team leaders before 20 April if possible, with the possibility of further discussion at a time and place convenient to KPMG. This invitation has also been extended to KPMG's Government Relations, Trade and Economic Policy; Economic Modelling & Analysis; Risk Consulting and Government Incentives teams.

The Sub-Committee is seeking a better understanding of how KPMG Australia can assist exporters and also any insights on the challenges and barriers faced by small and medium sized businesses and family enterprises to successfully open up new export opportunities with Australia's leading trading partners such as China, Japan, Korea or others. Any advice on improving exposure of SMEs to these export opportunities and how federal and state governments can better support and maximise these businesses' export successes would be invaluable.

Terms of reference for the inquiry

The Committee shall examine the opportunities and challenges facing small and medium Australian export-oriented businesses that seek to leverage free trade agreements for the export of goods and services. The Committee shall have particular regard to:

- consideration of what products and services (e.g. inclusion and prioritisation) are negotiated in free trade agreements;
- awareness of, and accessibility to, free trade agreements;
- lessons learnt from attempts at leveraging free trade agreements, including barriers to implementation and success in fast-tracking export opportunities;
- role and effectiveness of support structures and networks in helping leverage free trade agreements;
- ongoing capacity building that will assist in creating opportunities and capturing more value from free trade agreements in the future; and
- any other related matters.