



2 May 2018

Mr Andrew Dawson
Inquiry Secretary
Joint Standing Committee on Foreign Affairs, Defence and Trade
PO Box 6021
Parliament House
CANBERRA ACT 2600

Dear Andrew

INQUIRY INTO ACCESS TO FREE TRADE AGREEMENTS BY SMALL AND MEDIUM ENTERPRISES (SMEs)

Thank you for the opportunity to comment on the above. The Australian Small Business and Family Enterprise Ombudsman (ASBFEO) supports the inquiry into the opportunities and challenges facing Australian SMEs seeking to leverage Free Trade Agreements (FTAs) to grow their business.

ASBFEO is concerned that SMEs continue to lack understanding of FTAs to their benefit. In particular, SMEs need a greater understanding of the differences between the various FTAs, rules and associated certification requirements across multiple agreements. This issue has been raised in previous reviews and inquiries with little progress made to date.

The current tools available to raise FTAs awareness are complex and focus on the Department of Foreign Affairs and Trade (DFAT) outreach programme and the online FTA portal. Considering that SMEs tend to lag behind larger businesses in their use of technology¹, we recommend using alternative modes of delivery of information to meet SMEs needs: e.g. small business agencies, chambers of commerce, and industry association networks.

In addition, we also encourage increasing SMEs awareness of all ten FTAs (bilateral and multilateral), as the DFAT's outreach programme focuses mainly on the North Asia FTAs (Korea, Japan and China).²

¹ Ibid.

² AusTrade, FTA Seminars – Information Seminars

While a number of initiatives aim to increase FTA awareness, recent surveys over the past three years indicate that these initiatives are not having the intended outcome across all business' sizes.³ At the SME level there is a significant difference in the level of understanding and applicability of agreements, and the process for obtaining FTA preference. For instance, Price Waterhouse Coopers' (PWC) Free Trade Agreement Utilisation Study showed 55 per cent of SMEs used FTAs, in comparison to 77 per cent of large businesses.⁴ The study also demonstrated that only 40 per cent of SME importers claim the preferential rates of duty.

Australia has multiple FTAs for a single market. For instance, Australia currently has five separate market entry arrangements for Malaysia, three for China and four for Thailand. Gaining full understanding of the relevant arrangements is challenging for SMEs, who have limited resources, capacity and capability. We note the recent Australia's International Business Survey demonstrated that 35 per cent of businesses did not use Certificates of Origin, primarily because of a lack of understanding of their benefits.

Furthermore, Australia's 2.2 million SMEs contribute to around a third of our GDP.⁵ This is not reflected in SMEs' participation in international trade. SMEs account for 14 per cent of Australian goods' exports, in comparison to G7 nations where they account for 25 per cent and in the EU 35 per cent.⁶ SMEs need more support to grow their business and access international markets, particularly those supported by an increasing number of FTAs. Increasing SME exports would contribute to Australia's innovation, creation of jobs and a subsequent increase in Australia's GDP.⁷

I hope these comments assist you, and I would be happy to discuss these matters further. Please feel free to contact either myself or Ms Jill Lawrence, on 02 6263 1558 or at jill.lawrence@asbfeo.gov.au

Yours sincerely



Kate Carnell AO

Australian Small Business and Family Enterprise Ombudsman

³ ACCI National Trade Survey 2016

⁴ PricewaterhouseCoopers, Free Trade Agreement Utilisation Study, February 2018

⁵ National Australia Bank, Moments that Matter – Understanding Australian SMEs

⁶ Export Council of Australia, Trade Policy Recommendations 2018

⁷ Department of Industry, Innovation & Science, Australian Industry Report 2016