



Australian Government

Australian Government response to the
Joint Standing Committee on Foreign Affairs, Defence and
Trade, Trade Sub-Committee report:

From little things big things grow: Supporting Australian
SMEs go global

DECEMBER 2019

GOVERNMENT RESPONSE

From little things big things grow: Supporting Australian SMEs go global

Preamble

The Australian Government (the Government) welcomes the opportunity to respond to the report of the Joint Standing Committee on the Foreign Affairs, Defence and Trade (JSCFADT) Inquiry titled 'From little things big things grow: Supporting Australian SMEs go global' (the Report), published in February 2019. The Government regrets the delay in tabling this Response, which was due to the caretaker period.

The Inquiry sought to address concerns relating to difficulties small and medium enterprises face in accessing benefits from Free Trade Agreements (FTAs). The Inquiry undertook detailed stakeholder consultations and received submissions from a broad range of businesses and industry groups. The Report's 10 recommendations focus on addressing FTA awareness and barriers to implementation, improving consistency across FTAs, placing a greater emphasis on capacity building programs for SMEs, and expanding the provision of effective support structures that address the underlying technical, technological and non-tariff barriers to trade. The Government is supportive of these recommendations and is committed to ensuring that Australian businesses and consumers benefit from our FTAs. We are aware of the challenges facing Australian SMEs seeking to realise their export opportunities. The Government has in place policies to assist SMEs in this regard and will continue to support them to access Australia's extensive network of FTAs and benefit from the liberalisation of export markets.

Recommendation 1 – Continue to embrace an ambitious Free Trade Agenda

The Committee recommends that the Australian Government continues to embrace an ambitious free trade agenda with an expanding network of high quality free trade agreements (FTAs), while acknowledging that FTAs are only one way of enabling international trade for Australian businesses.

Response: *Supported*

Australia has been at the forefront of developing modern, comprehensive Free Trade Agreements (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.

Our FTAs¹ cover approximately 70.8 per cent² of our total two-way trade in goods and services,³ compared with 27.6 per cent of our trade with FTA partners in 2012-13. When all FTAs under negotiation or active consideration⁴ are concluded, Australia's share of two-way trade in goods and services with FTA partners will reach 87.8 per cent.⁵ We are currently on track to meeting the Government's Foreign Policy White Paper undertaking to ensure that by 2020 we have FTAs with countries accounting for over 80 per cent of our trade.

The Government recognises FTAs are only one way of enabling international trade. A rules-based trading system centred on the 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 has also revamped its economic diplomacy efforts to enhance support for Australia's commercial interests, continues to assist Australian businesses to tackle non-tariff measures (refer Recommendation 2.1), and provides ongoing support for Australian businesses, including more than 45,000 small to medium sized enterprises (SMEs), to access international markets. Austrade provides a range of support, from business introductions to market information, and the Australian Government export credit agency, Export Finance Australia, assists businesses to secure finance for export and to invest overseas. The Department of Industry, Innovation and Science (DIIS) also administers a range of programs and policy initiatives that are aimed at building business capability and helping SMEs become 'export ready', including the SME Export Hubs Initiative that aims to help Australian SMEs to grow and improve export performance (refer Recommendation 4). In addition, the Government is working with the private sector to build the capability of Australian business to engage successfully in Asian markets, reinforcing high-level advocacy by Australian political and

¹ AANZFTA (Australia, New Zealand, Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam); Comprehensive and Progressive Agreement for Trans-Pacific Partnership (TPP-11 or CPTPP) (entered into force for Australia, Canada, Japan, Mexico, New Zealand, Singapore and Vietnam); bilateral agreements with Chile, China, Japan, Republic of Korea, Malaysia, New Zealand, Singapore, Thailand and the United States.

² This includes agreements currently in force (68.2 per cent) plus agreements concluded, but not yet in force (2.6 per cent), i.e. the Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA), Hong Kong, Peru, PACER Plus.

³ FY2017-18 data.

⁴ Regional Comprehensive Economic Partnership (ASEAN, China, India, Japan, Korea, New Zealand), Pacific Alliance (Chile, Colombia, Mexico, Peru), European Union, United Kingdom, India.

⁵ Based on FY2017-18 data.

business leaders, and expanding the number of Agricultural Counsellors overseas who provide in-market support.

Recommendation 2.1 – Minimise non-tariff barriers

The Committee recommends that the Australian Government seek to minimise non-tariff barriers to trade by identifying and addressing the range of non-tariff barriers that adversely affect trade outcomes for Australian small and medium enterprises (SMEs).

Response: *Supported*

The Government recognises non-tariff barriers (NTBs) to trade can adversely affect trade outcomes for Australian exporters, including for SMEs. On 7 December 2018, the Minister for Trade, Tourism and Investment, then-Minister for Agriculture and Water Resources, Minister for Industry, Science and Technology, and Assistant Minister for Trade, Tourism and Investment, announced a new Action Plan to address NTBs. They also launched a new trade barrier gateway (www.tradebarriers.dfat.gov.au) to help Australian exporters report identified NTBs to government and seek advice on dealing with international trade barriers.

The Action Plan aims to support SMEs by strengthening the partnership between business and government agencies across three pillars: access, collaboration, and transparency. The Department of Foreign Affairs and Trade (DFAT) has also established an NTB Coordination Unit, which is focused on implementing the Action Plan, and tracking and coordinating efforts across government on NTBs. DIIS, the Department of Agriculture and Water Resources, and Austrade have been providing ongoing strategic advice and support.

Recommendation 2.2 – Tailored IP advice to navigate frameworks and protect IP

- ***[and by] Providing more tailored advice from IP Australia, and business chambers or other qualified advisers, to SMEs to help them navigate complicated frameworks protecting intellectual property (IP) in overseas markets.***

Response: *Supported*

IP Australia's comprehensive website provides information for exporters, including SMEs, about the value of Intellectual Property (IP) in their business. Content packages (e.g. IP in China, and IP in the USA) are tailored specifically for exporting SMEs to equip them with information to protect their IP in a range of countries. For those businesses interested in China in particular, there are also webinars and presentations on various facets of IP protection. These resources, as well as the presence of an Australian IP Counsellor in Beijing, aim to raise awareness among SMEs about IP protection, and to help Australian business navigate the Chinese IP system with increasing success. IP Australia continues to consult IP owners to ensure the content meets the needs of Australian SMEs, and is commencing work to help SMEs more effectively access IP protection in key export markets through the Madrid trade mark system.

IP Australia has also built strategic partnerships with peak industry bodies, such as the Export Council of Australia. These partnerships extend the reach of IP messages, and help to give exporters and SMEs the tools and information they need when trading or preparing to trade overseas. The Australian Government is committed to better understanding the barriers facing Australian businesses in accessing IP protection and enforcement in key markets in order to target support for our exporters.

Recommendation 2.3 – Assess compliance levels to mitigate IP leakage or theft

- ***[and by] Assessing the level of disclosure required for compliance purposes across different FTA jurisdictions with a view to helping SMEs avoid unnecessary IP disclosures and mitigate risks of IP leakage and theft.***

Response: *Noted*

Australia looks to include commitments on IP in our free trade agreements on a case-by-case basis to address developments in, and achieve a consistent international approach to, IP protection and enforcement. Depending on the circumstances, the inclusion of IP provisions in FTAs can help to reduce the costs and complexities of obtaining IP rights and encourage enforcement of IP rights in other countries. This includes obligations relating to the protection of confidential information and the legal mechanisms to enforce these. The Government will continue to assess the need for such provisions in FTAs and directly engage with other governments where appropriate to affect systems at a practical level.

Recommendation 3.1 – Include specific SME chapters/obligations in FTAs

The Committee recommends that the Australian Government seek to make free trade agreements (FTA) more relevant to Australian small and medium enterprises (SMEs) by:

- ***Including specific SME chapters or specific obligations to assist SMEs to access trade opportunities in future FTAs.***

Response: *Supported*

The Australian Government supports this recommendation, and recognises that SMEs may benefit from the inclusion of specific chapters and/or obligations to assist them to access 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 TPP-11 (or CPTPP) 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 obligations 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.

Recommendation 3.2 – Improve consistency between FTAs

The Committee recommends that the Australian Government seek to make free trade agreements (FTA) more relevant to Australian small and medium enterprises (SMEs) by:

- ***Improving consistency between overlapping FTAs to reduce complexity for business users where the same exported product, for example, may receive different treatment depending on which trade agreement is applied.***

Response: *Partially Support*

The Government is strongly committed to assisting Australian SMEs 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 outcome. Where FTAs overlap, DFAT and Austrade engage in a range of advocacy and outreach efforts to ensure SMEs and other businesses understand the benefits and requirements of the different FTAs. This includes promotion of DFAT's FTA Portal website, which helps businesses navigate the benefits of overlapping FTAs and enables them to identify and access the most beneficial outcomes (refer Recommendation 9.2).

Recommendation 3.3 – Strengthen and simplify Certificates of Origin

The Committee recommends that the Australian Government seek to make free trade agreements (FTA) more relevant to Australian small and medium enterprises (SMEs) by:

- ***Strengthening support for a robust system of Certificates of Origin that are accepted globally and for other reputable bodies to issue Certificates of Origin, as long as standards are not compromised.***

Response: *Partially Supported*

A single, globally accepted system for Certificates of Origin is not feasible for FTAs. The Australian Government negotiates origin documentation requirements separately for each FTA, and our approach to origin documentation requirements in FTAs is to be as trade-facilitative as possible. The Government strives to create common and transparent trade rules between parties so that SMEs can save on administrative costs by being able to trade under one set of rules within an FTA. This includes advocating for the use of a dual system for business, such as self-certification and certification by approved bodies.

The Australian Government operates transparent and rigorous processes for accrediting bodies through the Joint Accreditation System of Australia and New Zealand (JAS-ANZ) to issue Certificates of Origin, and DFAT and DIIS will continue to work with Australian businesses and certificate issuing bodies to ensure smooth implementation of certificate requirements within existing and newly agreed FTAs.

Recommendation 4 – Trial a regional grants program for businesses to collaborate on exports

The Committee recommends that the Australian Government trials a grant programme in selected regional areas for clusters of businesses that wish to collaborate in pursuit of export opportunities, anchored to either geographical provenance or specific sectors.

Response: *Supported in principle*

The Australian Government supports this recommendation in principle, and notes there are already a range of existing programs that assist regional businesses and business clusters to collaborate in pursuit of export opportunities. In 2018, the Australian Government launched the \$20 million SME Export Hubs Initiative, which is intended to help Australian businesses grow, exports, and increase local and regional jobs. SME export hubs are collaborative business networks that help boost the export capability of local and regional businesses, through

supporting activities such as developing collective brands, leveraging local infrastructure to scale business operations, and positioning regional businesses to participate in global supply chains.

The Initiative provides matched funding of up to \$1.5 million for up to four years from 2018-19 to 2021-22. Matched funding can come from sources other than the Commonwealth, such as State and Local Governments and industry. This competitive program funds new and existing export hubs in the priority Growth Centre sectors: Advanced Manufacturing; Cyber Security; Food and Agribusiness; Medical Technologies and Pharmaceuticals; Mining Equipment, Technology and Services; and Oil, Gas and Energy Resources.

The SME Export Hubs Initiative complements existing programmes, including the Industry Growth Centres Initiative, the Entrepreneurs' Programme, the Regional Development Australia Committees, and services and initiatives delivered by Austrade, such as the Export Market Development Grants Scheme, TradeStart, and the FTA-ME Grant program which aims to generate market entry strategies for Australian SMEs that lead to opportunities to increase utilisation of FTAs in eligible markets.

Recommendation 5.1 – Review funding arrangements for Austrade

The Committee recommends that the Australian Government review the resourcing of agencies and programmes to assist Australian small and medium enterprises (SMEs) trade internationally as follows by:

- *Reviewing the current funding arrangement for the Australian Trade and Investment Commission with a view to ensuring it is adequately funded to continue to deliver high quality services and in line with the recommendations of the report.*

Response: *Noted*

Austrade's departmental appropriation for 2017-18 amounted to \$206 million. Austrade delivered results for Australian exporters and international investors through its global network, commercial connections and expert market-specific advice.

In 2017-18, Austrade completed its organisational capability assessment and is implementing a transformation plan that puts its clients at the centre of everything it does, building on stronger digital services and partnership, and collaboration across governments and industry. Client satisfaction with Austrade services has increased from 87 per cent in 2015-16 to 89 per cent in 2016-17 and 2017-18. In 2017-18, Austrade provided over 12,000 services to more than 4,800 Australian organisations, helping them to identify export opportunities or partnerships in overseas markets. In the same year, Austrade helped facilitate 113 inward investment outcomes worth almost \$4.8 billion.

Recommendation 5.2 – Assess funding arrangements for EMDG

The Committee recommends that the Australian Government review the resourcing of agencies and programmes to assist Australian small and medium enterprises (SMEs) trade internationally as follows by:

- *Assessing the current funding arrangements for the Export Market Development Grant (EMDG) scheme to ensure it meets the growing demand and maintains the real*

value of individual grants under the EMDG scheme, including investigating strategies to better target the scheme towards high-growth SMEs.

Response: *Supported*

The Australian Government announced a review into the EMDG scheme, and Australian Government Financial Assistance to exporters on 4 October 2019.

EMDG is one of Australia's most effective and enduring assistance schemes, and demand for it continues to grow. In the 2017-18 grant year 4,000 applications were received – an increase of six per cent on the previous year.

The Government has committed to progressively restoring funding for the EMDG scheme, and provided a \$12.5 million a year boost in 2013-14. In the 2019-20 Budget, the Government committed to additional funding of \$60 million over three years for the EMDG scheme. This brings the total investment in the scheme to \$157.9 million each year.

Extra funding to the EMDG scheme will help Australian companies get more exposure in international markets, allowing them to develop brand recognition and form relationships with potential customers.

With a significant proportion of EMDG recipients developing to become high growth firms, analysing EMDG claimant data can help show the characteristics of businesses that have the potential to become high growth firms, and to support these businesses in their export journey through the EMDG scheme.

Recommendation 5.3 – Use technology to reduce EMDG's admin burden for applicants

The Committee recommends that the Australian Government review the resourcing of agencies and programmes to assist Australian small and medium enterprises (SMEs) trade internationally as follows by:

- ***Evaluating the potential for using improved digital technology to reduce the administrative burden of the Export Market Development Grants scheme for applicants.***

Response: *Supported*

The Australian Government announced a review into the EMDG scheme, and Australian Government Financial Assistance to exporters on 4 October 2019.

The EMDG application form is completed and lodged online, and is now hosted in the Cloud. The application form uses rules to assess the amount of documentation an applicant is required to provide, based on the risk profile of the claim. The EMDG Service Improvement Study found that 80 per cent of EMDG applicants rated the ease of using the online form as good, very good, or excellent. Each year Austrade reassesses the amount of information a business is required to provide. Contrary to the statement made in a submission to the Inquiry (6.52 of the report refers), the intensity of the claim assessment is based on the risk profile of the applicant and its expenditure.

Recommendation 6.1 – Develop closer links between EFA and Councils/CCIs to promote EFA

The Committee recommends that the Australian Government makes its free trade agreements (FTA) more user-friendly for Australian small and medium enterprises (SMEs) by:

- *Developing closer linkages between the Export Finance Australia and municipal councils and local chambers of commerce so their networks can help promote EFA's services to Australian SMEs.*

Response: *Noted*

The Australian Government will review this recommendation in the broader context of looking at EFA's alliances with key stakeholders in a range of levels of industry and government. EFA and Austrade are currently working together to further strengthen the working relationship between the two agencies, to ensure that they provide a seamless and enhanced service offering to Australian businesses looking to expand into international markets.

Recommendation 6.2a – Establish a Single Trade Window to guide exporters to education and services

The Committee recommends that the Australian Government makes its free trade agreements (FTA) more user-friendly for Australian small and medium enterprises (SMEs) by:

- *Establishing a 'single trade window' for SME exporters to guide them to education, products and services that meet their needs.*

Response: *Noted*

The Department of Home Affairs is leading a whole-of-government agenda to transform and modernise international trade that flows across Australia's border. This agenda aims to create a future international trade system for Australia that is digital, seamless, and secure. This system would be underpinned by an enhanced single window for international trade. Australia already has a customs single window, the Integrated Cargo System. The Department of Home Affairs is engaging with SMEs on trade modernisation reforms.

Austrade is also developing the 'Export Support Finder' (ESF), a digital tool that will help any exporter, or potential exporter, to quickly and easily find information and services provided by Government and other expert sources to support their export journey. The ESF will focus initially on services exports, and will be expanded to accommodate other export categories in response to client demand over time. The ESF will draw on Austrade's existing knowledge base and systems, its experience of enquiries from clients, and the knowledge base of selected Austrade partners.

Recommendation 6.2b – Improve access of SMEs to centralised trade resource

The Committee recommends that the Australian Government makes its free trade agreements (FTA) more user-friendly for Australian small and medium enterprises (SMEs) by:

- *improve the access of SMEs to a centralised source of trade resources, from government agencies such as the Department of Foreign Affairs and Trade, Australian Trade and Investment Commission, Department of Home Affairs, Department of Agriculture and Water Resources, Export Finance and Insurance Corporation, Department of Industry, Innovation and Science, and the Department of Jobs and Small Business.*

Response: *Noted*

The Australian Government notes that a single source of trade resources for businesses already exists – www.business.gov.au. The website is a trusted one-stop shop for SMEs with relevant links to specific exporting information (Austrade), business competitiveness and productivity support (DIIS), customs information (Home Affairs) and FTAs (DFAT). The Government will consider expanding trade-related information on www.business.gov.au to include exporting digital goods and services. In addition, the award winning FTA Portal provides SMEs with valuable information regarding exporting or importing goods and services from our FTA partners (refer Recommendation 9.2).

Recommendation 7.1 – Support smaller non-Ministerial trade delegations

The Committee recommends that the Australian Government strengthen its Team Australia approach in target markets by:

- *Supporting an increase in the number of smaller, non-Ministerial, industry-focused trade delegations with an emphasis on one-on-one business meetings to achieve more tangible trade outcomes.*

Response: *Noted*

Austrade runs a number of smaller, targeted trade delegations as part of its routine industry and market plans. These can be led by Austrade, industry associations, or other partners. For example, in 2017-18 Austrade:

- partnered with AustCyber to deliver a mission of 65 participants from 44 companies to the world-leading RSA conference in San Francisco;
- sponsored the Australian Blockchain Mission to the Consensus Conference in partnership with the Australian Digital Commerce Association, CSIRO's Data61, and the NSW Government; and
- led a 25-member Agri-Tech delegation to San Francisco and the US Midwest.

Ministerial-led business missions are a key element of the Australian Government's agenda to strengthen economic and commercial ties in priority markets. They help to promote Australia's capabilities as a trade and investment partner and destination for tourism and education. At the firm level, they provide opportunities to explore new markets, network with peers and

identify potential business partners. In 2017-18, 98 per cent of surveyed respondents who participated in seminars and Ministerial-led missions reported that their participation had resulted in an advantage for their organisation. Since February 2014, Austrade has coordinated 41 ministerial-led business missions, involving over 3,600 delegates. These comprise 34 smaller sector-focused missions and seven 'Australia Weeks'. The last ten Ministerial-led missions spanned North and Southeast Asia, India, the Americas and the Middle East, and focused on priority sectors including food and agribusiness, resources and energy, financial and professional services, and innovation.

In addition to Ministerial-led missions, Austrade has led over 60 business missions in the past year, most with a specific industry focus, covering 30 countries. These missions provide networking, presentation, and market analysis opportunities for attendees, improving their understanding of the market and the possibilities for entry. A key element for Australian participants is the business matching program, designed to match their products, services and solutions with clients, customers and potential partners/investors in foreign markets.

Recommendation 7.2 – Coordinate Australia's international trade efforts with State Governments to create a more coherent approach to businesses

The Committee recommends that the Australian Government strengthen its Team Australia approach in target markets by:

- *Undertaking a joint study with State and Territory Governments of Australia's trade promotion efforts internationally, with a view to pursuing reforms that will ensure a better coordinated, unified and coherent approach for businesses, including SMEs, to better engaged with all tiers of Australian government promoting Australia's commercial interests.*

Response: *Noted*

The Government operates a robust and multi-level governance and coordination structure to promote, review and drive a Team Australia approach for all Australian businesses, including SMEs. This includes a number of support systems that exist to coordinate international trade promotion with State and Territory Governments (e.g. the Senior Officials Trade and Investment Group, and the Trade and Investment Ministers Meetings), through which the Australian Government and its State and Territory counterparts identify opportunities to collaborate across all levels of government to support trade and investment outcomes.

In addition, the Australian Government, through Austrade, consults extensively across government, industry, and community groups in all States and Territories to develop the national brand. As identified in the 2017 Foreign Affairs White Paper, this work recognises that a unified, national, strategic representation of Australia's capabilities internationally will improve Australia's reputation and competitiveness across all industry sectors, helping exporters sell more of their goods and services to the world. Consultation with States and Territories will continue as the national brand is developed to ensure alignment across all levels of government.

Given these existing mechanisms, the Government does not believe a joint study is necessary.

Recommendation 8.1 – Support trade by running targeted regional FTA awareness and education programs

The Committee recommends that the Australian Government adopts a more holistic approach to encouraging Australian small and medium enterprises (SMEs) to trade internationally and utilise free trade agreements (FTA) by:

- *Targeting service delivery of FTA awareness and education programmes to SMEs based in regional areas by matching the content of seminars and workshops to the specific economic profile of the regions, drawing upon local success stories and providing direct advice about market access and promotion relevant to the key industries of those regions.*

Response: *Supported*

The Government conducts FTA information seminars in rural, regional, and metropolitan locations to help regional Australian SMEs and other businesses connect with global markets. As of May 2019, 123 FTA seminars have been held across Australia, with two thirds of these seminars held in regional areas. The seminars promote FTA awareness, and include information about how to take advantage of Australia's FTAs, including new agreements once they enter into force. This is in addition to the FTA-ME Grants program (refer Recommendation 4), which is designed to support member-based organisations to deliver business strategies to both educate and increase the potential for SMEs to achieve tangible outcomes in FTA markets.

In addition to FTA information seminars, the Australian Government will continue to undertake bespoke FTA outreach that is tailored, as appropriate, to the characteristics of specific industries, sectors and regions.

While the Government's FTA outreach needs to remain relevant to all SMEs and other businesses, we will continue to explore where there is scope for more tailored advocacy.

Recommendation 8.2 – Invite active industry participation in FTA programs

The Committee recommends that the Australian Government adopts a more holistic approach to encouraging Australian small and medium enterprises (SMEs) to trade internationally and utilise free trade agreements (FTA) by:

- *Inviting the active participation of industry representative bodies, such as those representing customs agents and freight forwarders, in FTA awareness and education programs to educate SMEs about the export services their members provide.*

Response: *Supported*

The Government, through DFAT and Austrade, have a close working relationship with trade facilitators, including peak bodies such as the Freight and Trade Alliance, the Customs Brokers and Forwarders Council of Australia, and the Exporters Council of Australia. This includes through the FTA-ME Grant program, which has been designed to ensure adequate information and knowledge based training is available to support Australian businesses to understand sound market entry strategies and opportunities in FTA target markets.

We also rely on regional Chambers of Commerce and individual businesses to boost attendance at FTA seminars, and (with regards to case study businesses) to share their

experience with exporting in order to help others navigate the process. The selection of partners and case studies is important because, for example, it will not always be appropriate to include freight forwarders in FTA awareness campaigns if exporters in a particular region are mainly service suppliers. The Government welcomes peak body contributions to its trade advocacy efforts where those contributions enhance the effectiveness of outreach.

Recommendation 8.3 – Strengthen capacity development of SMEs on assessing export options

The Committee recommends that the Australian Government adopts a more holistic approach to encouraging Australian small and medium enterprises (SMEs) to trade internationally and utilise free trade agreements (FTA) by:

- *Strengthening capacity development of SMEs so they become more import/export ready, including knowing how to assess destinations and business partners, and using technology to support international engagement and trading activities.*

Response: *Partially Supported*

The intent behind this recommendation will be met by Austrade's Export Support Finder project (refer Recommendation 6.2a), and under the current review of services offering (refer Recommendation 8.4).

The Government has a role to play, in Australia and offshore, to help Australian companies become effective and sustainable exporters or importers. Austrade provides grants to enhance export readiness, and delivers in-market support and advice on distribution channels, advertising, finance, and market structure. Austrade's TradeStart network helps Australian companies strengthen their capacity in export options, including by offering tailored workshops (for example, about how to assess business partners and markets) in regional Australia, and by ensuring exporters know where to find relevant information.

More broadly, the DIIS SME Export Hubs Initiative (refer Recommendation 4) also helps boost the export capability of local and regional businesses through developing business collaborations (Hubs). The Hubs will help SMEs work together to access new markets and global supply chains by identifying export opportunities, creating scale, and building on regional competitive strengths. Technology, particularly e-commerce, can help SMEs access promising markets that might otherwise be too risky or present a difficult regulatory environment. We expect there will be ongoing demand for advice about the potential of e-commerce for SME exporters. Austrade is well placed to provide this through its global network, and DIIS supports this through its Digital Economy Strategy and the Empowering Business to Go Digital program, which funds efforts to increase small business awareness and adoption of digital economy.

Recommendation 8.4 – Adopt a tiered pricing structure for service delivery

The Committee recommends that the Australian Government adopts a more holistic approach to encouraging Australian small and medium enterprises (SMEs) to trade internationally and utilise free trade agreements (FTA) by:

- *Adopting a tiered pricing structure for service delivery by the Australian Trade and Investment Commission and the departments of Agriculture and Water Resources and Home Affairs that takes into account business size and export volumes.*

Response: *Noted*

The Australian Government's cost recovery policy provides that where a regulatory function is provided to an identifiable group, that group should bear the full costs of the regulatory function, rather than general taxpayers. The current export certification fees and charges include fees per application and document as well as a levy charge based on export volume – which results in higher charges for higher export volume.

While the Government is committed to trade facilitation, the role of many Departments in export certification, such as the DAWR and Department of Home Affairs, is that of regulator, not service provider. The primary responsibility is to effectively meet regulatory obligations, recognising the need to do so as efficiently as possible.

Austrade is currently reviewing its service offering following extensive research into the needs of Australian businesses seeking to internationalise. The new service offering will be designed to maximise the impact of Australian Government support and address the specific issues businesses experience when seeking to export. New services will be co-designed with relevant stakeholders, including public sector, industry and bilateral associations to leverage expertise and avoid duplication. New delivery models and charging arrangements will be considered in the service review.

Recommendation 9.1 – Embrace e-commerce

The Committee recommends that the Australian Government makes better use of data and technology for identifying and helping Australian small and medium enterprises (SMEs) capture international trade opportunities by:

- ***Embracing e-commerce as a key enabler of trade and including e-commerce as a key feature in future FTAs.***

Response: *Supported*

The Government is committed to e-commerce as a key enabler of trade, including as a way for Australian SMEs to reach new markets globally. Through our participation in FTAs and active engagement in international fora, the Australian Government is shaping strong global rule-making on digital trade by advocating for international rules that facilitate trade and build trust in the online environment for both business and consumers. These include rules that provide certainty to Australian businesses about how and when they can transfer data across borders and limit local data storage requirements applied by our trading partners. These rules allow our SMEs to make decisions that best reflect their business needs and allow them to be competitive and innovative. This is particularly important as the costs to locate and store data in overseas countries can be particularly prohibitive to SMEs.

The Government's most recently concluded FTAs — the TPP-11 (or CPTPP), the Peru-Australia FTA and IA-CEPA, and the 2017 review of Australia's FTA with Singapore — contain some of the most ambitious e-commerce provisions in the world, including rules targeting restrictions on data flows and data localisation requirements. We have also achieved ambitious commitments in our FTA with Hong Kong, and are pushing for high standard e-commerce outcomes in ongoing negotiations under RCEP, the Pacific Alliance and our FTA with the European Union.

The Australian Government has also taken on a leadership role in the WTO, and was instrumental in seeing 76 members sign on to and release the *Joint Statement on Electronic Commerce*, signalling their intention to move to negotiations on trade-related aspects of e-commerce.

The Government has further been developing a global e-commerce strategy, including by Austrade's launch of a Guide to Online Exporting designed to help exporters understand the business models available to using e-commerce as a market entry channel. Austrade conducts ongoing research and produces written guides for a range of markets in Asia. In 2017-18, as part of Austrade's strategic collaboration agreement, Alibaba launched a dedicated channel on their video-sharing platform to promote Australian products. We have begun discussions with platforms in other markets to educate Australian exporters on opportunities and direct-to-consumer supply chains.

Recommendation 9.2 – Deliver simplified digital resources to make information easier to find

The Committee recommends that the Australian Government makes better use of data and technology for identifying and helping Australian small and medium enterprises (SMEs) capture international trade opportunities by:

- *Delivering simplified, user-friendly digital resources and trade technologies to assist SMEs by making it easier to find the export information required for each trade agreement.*

Response: *Supported*

The Government continues to enhance its range of user-friendly digital resources to assist SMEs, including the FTA portal. The FTA Portal (www.ftaportal.dfat.gov.au) is a simple, user-focused tool that allows exporters to explore how they can benefit from Australia's FTAs. It features a sophisticated tariff finder, rules of origin guide, trade data on individual markets, and relevant links to help businesses make trade decisions. The Portal also helps businesses overcome the so-called 'noodle bowl' effect of overlapping FTAs by allowing them to compare and then choose the FTA that offers them the greatest benefits.

The Portal has received broad and consistently positive feedback from industry stakeholders, including as part of this Inquiry. As of May 2019, the Portal has attracted around 280,000 users. It is visited by around 2,600 users per week. In addition, comprehensive factsheets, user guides and case studies are available on DFAT's FTA website (www.fta.gov.au) and Austrade's website (www.austrade.gov.au/fta), which provide focused and practical information to assist SMEs to export to specific markets. The collaborative www.business.gov.au website (refer Recommendation 6.2b) also provides SMEs with access to a comprehensive source of digital trade resources.

Austrade's Export Support Finder (refer Recommendation 6.2a) will also assist SMEs by making it easier to find relevant export information.

Recommendation 9.3 – Assess how private entities can provide assistance to SMEs

The Committee recommends that the Australian Government makes better use of data and technology for identifying and helping Australian small and medium enterprises (SMEs) capture international trade opportunities by:

- *Assessing how trade consultant advisory agencies, business chambers and industry representative bodies can provide greater assistance to SMEs in collaboration with governments, including consideration of joint pilots to build the readiness and technological capacity of SMEs.*

Response: *Partially Supported*

The Australian Government works closely with a range of business stakeholders to support SMEs. Private entities, particularly Chambers of Commerce and trade consultants, can play a vital role in helping SMEs export, whether through the provision of Certificates of Origin under some FTAs, or by providing general advice about the relative potential of different markets. While technological capacity will be an issue for some SMEs, whether to engage particular private-sector expertise remains a commercial decision for business.

The FTA Market Entry (FTA-ME) Grant offers member-based business organisations, such as business chambers and industry associations, funding to develop programs that support SMEs to capture new trade opportunities created through recently signed FTAs. A number of the programs proposed under the FTA-ME Grant emphasise technology and data as an enabler to build the export readiness and technological capacity of SMEs.

In addition, Australian Landing Pads provide market-ready Australian start-ups and scale-ups with access to some of the world's most renowned hubs in San Francisco, Tel Aviv, Shanghai, Berlin and Singapore. Participants have access to an up to 90 day residency in a co-working space; introductions to networks of investors, mentors and strategic partners; access to a dedicated Landing Pad Manager; a community that supports Australian entrepreneurs; and business advice to help them grow their business. As at 16 January 2019, 221 companies have accessed Landing Pads.

Recommendation 9.4 – Broaden the data collected/published to better guide policy makers

The Committee recommends that the Australian Government makes better use of data and technology for identifying and helping Australian small and medium enterprises (SMEs) capture international trade opportunities by:

- *Broadening the base and deepening the granularity of export data that is collected, analysed and published so it can better guide exporters and policy makers.*

Response: *Noted*

The steady opening of the domestic economy to global trade and investment has helped underpin Australia's remarkable economic performance and resilience over almost three decades. It is well acknowledged that timely and reliable trade data remains key to measuring the impact of recent Australian trade liberalisation and Australia's defence and expansion of the global rules based open trading system. Australian interests also remain firmly in promoting and protecting the benefits of open trade. Such interests can be part-advocated through the provision of timely, high quality trade data in order to help in understanding the effect of trade on Australian economic activity.

The Australian Bureau of Statistics (ABS) is Australia's national statistical agency, providing data on a wide range of economic, social, population, and environmental matters of importance to Australia. The purpose of the ABS is to inform Australia's important decisions by partnering and innovating to deliver relevant, trusted, objective data, statistics, and insights. The ABS operates in a dynamic environment. New technology, statistical methods and new opportunities for accessing and integrating data are becoming available, increasing the potential to provide new insights into matters of importance to Australians.

Recommendation 10 – Audit into the untapped human potential and Australian diaspora to help SME exporting

The Committee recommends that the Australian Government commissions an audit into the untapped human capacity of Australian nationals living and working overseas and Australia's multi-ethnic diasporas living and working in Australia and their related chambers and associations with a view to formulating a strategy to unlock that capacity to advance Australia's interests, including opportunities for Australian small and medium enterprises.

Response: *Not Supported*

The Government recognises the importance of Australia's migrant communities and the influence and strength of our citizens abroad, and funds two programs specifically designed to leverage the human capital of our nationals living and working overseas. The Government provides over \$6 million each year to the International Relations Grants Program, which supports bilateral and regional Advisory Boards to build relationships with diaspora communities through grants that promote linkages between Australia and key partners. The Government has also provided 'Advance Global' \$4 million over four years to enable it to engage, support, and build connections between expatriate Australians. Advance Global is the largest network of global Australians.

The report highlights the interest by bilateral chambers of commerce in engaging with SMEs on FTAs, and creating and enhancing business networks. DFAT and Austrade maintain strong relations with such chambers, including through our networks of international posts, and state and territory representative offices. The Government will investigate enhancing our engagement with international chambers with a presence in Australia.

Given these efforts and our commitment to enhance engagement with diasporas and relevant chambers of commerce, the Government does not believe an audit would assist in establishing more meaningful connections with these communities at this time.