



Australian Government

Austrade

Submission by Austrade to the

**House of Representatives Standing Committee on Economics,
Finance and Public Administration**

**Inquiry into the state of Australia's manufacturing industry now
and beyond the resources boom**

**Prepared by
Austrade**

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1. Austrade overview

Austrade is the Australian Government's export and international business facilitation agency. It provides access to overseas markets, financial support through export market development grants and international opportunities through offices and partners throughout Australia and across the world. This is enabled by Austrade's international presence in over 140 locations in more than 60 countries and a technical platform that facilitates global access for Australian businesses to international business opportunities.

While maintaining its support to major exporters, Austrade is specifically focused on further developing a culture of export, particularly for small and medium sized enterprises. To achieve these outcomes Austrade has adopted key performance measures which include: the number of clients achieving export success with Austrade; the total value (\$m) of export success achieved with Austrade; and the number of new or irregular exporters achieving success with Austrade's assistance.

Preliminary results for the 2005-06 financial year indicate that Austrade assisted 5,132 clients in exporting activities, a 17.8 per cent increase compared to the 2004-05 level (4,358). Of these clients, 3,266 (63.6 per cent) were established exporters and, significantly, 1,866 (36.4 per cent) were new exporters. The total value of Australian exports exceeded \$18.5 billion.

In summary, Austrade delivers:

- International business opportunities for Australians;
- Export and outward investment services;
- Administration of the Export Market Development Grants (EMDG) scheme;
- Programs designed to improve community awareness of trade and international investment;
- Advice to the Australian Government about, and coordination of, its export and international business facilitation activities; and
- Consular, passport and immigration services in designated locations.

Austrade has prepared this submission within the parameters of its role as a trade facilitation agency. Broader economic-related themes and issues will be dealt with by DFAT in its submission.

2. Australia's manufacturing sector

The Australian manufacturing sector is confronted by a wide range of challenges, including the intensification of international competitive pressures, particularly the emergence of China and India as economic powers, and the appreciation of the Australian dollar fuelled by rising commodity prices. At the same time, however, there are growing opportunities for Australian manufacturers in developing markets such as China.

Austrade's work with the manufacturing sector indicates that in an environment of ongoing change, Australian businesses have adapted well to become more innovative, competitive and export orientated. The underlying confidence in the sector's prospects and outlook is reflected in the new level of global engagement by Australian manufacturers in pursuing and realising opportunities offshore.

Data released by the Department of Foreign Affairs and Trade (DFAT) points to an increase in exports of manufactures of 9 per cent in 2005 to \$37.0 billion (volumes rose by 6.2 per cent). Exports of Simply Transformed Manufactures (STM) increased 8 per cent to \$11.0 billion, while exports of Elaborately Transformed Manufactures (ETM) increased 9 per cent to \$26.0 billion.

The increase in ETM exports includes passenger motor vehicles, medicinal and pharmaceutical products, precision instruments and other manufactures in lesser statistical categories. For example, exports of motor vehicles rose 14 per cent in 2005 to reach an all time high of \$3.5 billion. Exports of medicines increased by 27 per cent to reach \$2.9 billion, again a record high. Since 2000, exports have risen by an average 4 per cent per annum.

Many manufacturers are generating “knowledge-based” exports which require a high level of technology and highly skilled labour in the production process. Examples within the medical devices industry include hearing aid devices and sleep disorder equipment.

A key feature of Australia’s manufacturing sector is that it accounts for 57 per cent of “born globals”, businesses that export soon after establishment. This is a significantly high proportion when compared to the average of 32 per cent of total exporters that are born global. An example of such a business is Lochard, a Melbourne-based world leader in airport noise and flight monitoring. The company earns around \$420 million in annual export sales to the UK, USA, Asia, the Middle East and South America.

Many Australian companies that contribute to exports are not captured in official statistics. For example, there is an increasing number of Australian exported components which are re-assembled in markets such as China and Thailand and subsequently re-exported to other markets in East Asia, North America and Europe. The value of “re-exports” was estimated at around \$7.1 billion in 2004-05, a figure which is not incorporated into official export statistics.

Additionally, a growing number of Australian businesses are considered “hidden exporters”, as they form part of global supply chains that provide components to larger multinational corporations, which subsequently export. Austrade estimates that in the automotive supply chain there are approximately 200 Australian companies that supply components to the four Australian vehicle producers for their export models. These suppliers are therefore significant exporters, though not directly involved in export activities.

Based on DHL Barometer surveys of Australian exporters in 2005, overall export confidence is positive, underpinned by continued growth in the United States, strong growth in China, increasingly solid growth in Japan and a continuation of the moderate recovery underway in Europe. Recent Austrade client exporter surveys, which included the advanced manufacturing sector, underscored the confident outlook of Australian exporters.

3. Opportunities and challenges

Concerns about the challenges posed by the economic ascendancy of China, the global competitiveness of its manufacturing sector and the rising levels of manufacturing imports into Australia tend to overlook the changing dynamics of Australian manufacturing. Traditional patterns of manufacturing production which involved drawing inputs from local suppliers are now giving way to globally integrated operations, investing offshore and

relocating aspects of production to take advantage of global supply chain opportunities, a more diverse supplier base and lower input costs.

To further assist Australian advanced manufacturers integrate into global supply chain and other commercial opportunities, Austrade will continue to expand its reach and services in major growth markets such as China and India. While Australian exporters are already taking advantage of opportunities in these markets, Austrade will focus on assisting more businesses by identifying and building opportunities that match the specific capability of Australia’s manufacturing industries. The challenge for Australian manufacturers in markets such as China is the strong competition from other developed economies and the often long term commitment required for an export outcome to be realised. Building the correct commercial relationships and driving opportunities that capitalise on the competitive advantages of Australian industry, such as our expertise in working in niche markets, our flexibility and high level of innovation, is how these challenges need to be tackled. An overview of Austrade’s experiences in China is at **Attachment A**.

In 2005-06, Austrade facilitated almost 3055 deals for Australian advanced manufacturing industries. On the basis of export sales, the top 4 markets offering opportunities for Australia’s manufacturing exports were Japan (11.7 per cent), USA (8.1 per cent), China (5.9 per cent) and Singapore (5.1 per cent). It is important to note that underlying market trends point to a growing diversity of opportunities emerging across the globe, in regions as diverse as the Middle East, Western Europe, Latin America, and Central and Eastern Europe.

Within the broad spread of markets outlined above, Austrade expects to see continued opportunities in the food processing, automotive and chemicals and plastics industries. Solid growth in Australia’s defence and aerospace industries is also expected, though coming from a comparatively smaller base.

The table below lists Austrade’s top markets for Australia’s combined advanced manufactures industry exports.

Combined Advanced Manufactures Industries – Austrade’s Top Markets in 2005-06

Market	Export sales	% of export sales
Japan	325	10.6 %
USA	308	10.1 %
China	301	9.9%
Singapore	222	7.3%
Indonesia	145	4.7%
Hong Kong	125	4.1%
Taiwan	116	3.8%
Korea Rep	113	3.7%
Thailand	96	3.1 %
Malaysia	95	3.1 %
Canada	86	2.8%
United Kingdom	86	2.8%

Note: Export sales denote Austrade facilitated deals in market

4. Austrade assistance to the manufacturing industry

Currently Austrade has staff across 6 domestic and international networks with responsibility for manufacturing industries as part of their broader functions. They are distributed accordingly:

Manufacturing industry	Number of Austrade staff
Defence and Homeland Security	34
Automotive	34
Fashion/Accessories	52
Cosmetics	50
Health, Biotech and Wellbeing	124
Marine	52
Food and Beverage	261

Austrade support encompasses a wide range of global promotional activities, including trade events, shows and exhibitions, multi-industry events, inbound and outbound trade missions, tailored business matching and sourcing of export opportunities as well as sourcing of distributors or potential joint venture partners.

The table below summarises key export outcomes facilitated by Austrade in major manufacturing sectors in 2005-06.

Austrade assistance to manufacturing industries 2005-06

Sector	No. of businesses assisted	No. of export sales	Export value (\$'000)	% increase in export value 2004-05	Top four markets
Aerospace and Defence	19	21	96,900	79.5%	Singapore China Middle East USA
Automotive	59	92	2,164,465	26.4%	China USA Rep Korea Saudi Arabia
Chemicals, Plastics and Rubber	156	231	269,943	32.6%	China Hong Kong Indonesia Japan
Consumer Goods	564	809	230,599	3.7%	Japan China USA Indonesia

Food and Beverage	1,054	1,930	2,303,980	31.3%	USA Japan Singapore China
Machinery, Parts and Equipment	77	103	56,681	119.5%	China Singapore India New Zealand

Note: The table only represents export sales achieved by manufacturing businesses in 2005-06 with Austrade assistance, not the total number of businesses in the sector assisted by Austrade. Export sales denote Austrade facilitated deals in market

5. Austrade programs

The EMDG scheme is the Australian Government's principal financial assistance program for small and emerging exporters. Under the scheme, eligible applicants may qualify for up to 50 per cent reimbursement of eligible export marketing expenses above a threshold of \$15,000 to a maximum of seven grants.

The EMDG scheme supports a wide range of industry sectors, including manufacturing, and enjoys very strong support from Australian business. In the 2005-06 financial year, 39 per cent of grant payments (some 1,298 grants, totalling \$51.4 million) were paid to firms in the manufacturing sector.

The New Exporter Development Program (NEDP) is also important in assisting Australian businesses to export, including small and medium sized Australian companies, by providing a wide range of free services to new exporters. Such support encompasses advice and information about commencing exporting, export coaching and on-the-ground assistance in overseas markets.

Austrade and TradeStart offer a package of free services through the NEDP, designed to assist small and medium sized Australian companies develop their business overseas and make their first export sale.

TradeStart, an integral part of Australia's domestic network, is a national network of export assistance offices developed through partnerships between Austrade and a range of local private and public sector organisations throughout Australia. Currently, there are more than 50 TradeStart offices operating across all states and territories. In the 2006-07 Budget, the Australian Government committed \$23.3 million over four years to continue the TradeStart program, which has helped over 1,200 new exporters achieve export sales over \$550 million since 2002.

The Export Hub network is also important in assisting Australian businesses gain information, advice and support to help them to become innovative and internationally competitive. Export hubs integrate the expertise and services of AusIndustry and Austrade's TradeStart programs. They are located at Ballarat, Bega, Bundaberg, Carnarvon, Darwin, Launceston, Port Augusta and Tweed Heads.

6. Australian trade policy – driving opportunities

The Australian Government has implemented a broad range of policies, programs and initiatives to assist Australian manufacturers identify, pursue and realise international market opportunities.

Improving market access conditions for internationally competitive Australian businesses, including manufacturers, through multilateral, regional and bilateral trade policy forums has been at the forefront of these efforts. The negotiation of Free Trade Agreements (FTAs) with important trading partners (United States, Singapore, Thailand) has been particularly beneficial in enhancing trade and investment opportunities for the manufacturing sector. Other significant bilateral agreements continue to be progressed with China, Malaysia, New Zealand and the Association of South East Asian Nations (ASEAN).

Trade statistics suggest that Australian manufacturers have benefited from FTA outcomes. For example, following the implementation of the Australia-United States Free Trade Agreement (AUSFTA) in 2005, manufactures exports rose by 3.2 per cent in the 9 months to March 2006 compared with the same period to March 2005, underpinned by a 7.4 per cent increase in ETMs. Examples include Australia's medical instruments exports to the US, which grew by 55 per cent (up 70 per cent in the 9 months to March 2006) and toys, games and sporting goods, which also grew by 55 per cent.

A similar picture emerges with respect to Australia's manufactures exports to Thailand. In 2004-05 Australia's exports of manufactures to Thailand increased by 26.9 per cent. ETMs rose by 6.1 per cent underpinned by a 24.6 per cent increase in pharmaceutical products. Tariffs on these products were significantly reduced under TAFTA.

Austrade's manufacturing clients confirm the positive effects of FTAs in capturing opportunities in international markets. Please refer to examples of success stories in **Attachment B**.

Austrade's role in China

Austrade, as the Australian Government's trade promotion agency, reduces the time, the risk and the cost of Australian exporters doing business in China. This is done through providing assistance when required by exporters to China that can range from tactical support on an as-required basis to the full-time secondment of staff to major projects. Austrade also assists medium and smaller Australian companies pursue emerging and niche opportunities in the market as well as assisting Australian companies looking to establish production platforms in China for the local or export markets.

Austrade's presence in China

Many years of investment in staff and establishing a robust network of offices mean that Austrade is well placed in China to assist companies (including manufacturers) take advantage of current opportunities and potential gains under a Free Trade Agreement given formal negotiations with China are underway. The current Austrade regional network is the most extensive of any trade promotion organisation in China. Austrade currently services Australian exporters through more than 15 locations, including posts in Beijing, Shanghai, and Guangzhou, and 10 regional offices in locations such as Dalian, Hangzhou, Nanjing and Wuhan.

Austrade priorities and objectives in China

- 2005/06 has seen Austrade's continued expansion of its regional network in China.
- Austrade China has a program of activities in key industry sectors where opportunities for Australian companies exist including food and beverage, agribusiness, consumer, education and business services, ICT, health and wellbeing, automotive and infrastructure. Many of these have a manufactured products focus.
- Austrade has and will continue to promote key industry events both in the market and in Australia that have a focus on China and that serve the interests of exporting manufacturers.

Examples of key Austrade events that service the Australian manufacturing industry

Recent events

- *Cosmoprof Asia 2005 and Natural Health Fair* (Hong Kong, November 2005). Asia's largest health and beauty show profiled 48 Australian exhibitors in the Australian Pavilion with 15 Australian exporters achieving export sales to date.
- *China Lifestyle Expo* (Guangzhou, December 2005) 26 Australian companies participated and the event profiled food / beverage / wine / wool products / home appliances / health food / skin care / jewellery / fashion to key importers. Thus far there have been 13 Australian export clients achieving export sales to date.
- *China International Boat Show* (Shanghai May 2006) Austrade arranged an Australian Pavilion at this show in Shanghai with AIMEX, QLD Government, and 25 Australian exhibitors attending. A further 30 Australian companies who could not attend were also promoted. The result was 130 high quality sales leads with an estimated \$5 million future business. Contracts for two boats were signed at the show itself.

Upcoming events

- *Protecting Your Intellectual Property in China* (Perth / Adelaide / Melbourne /Canberra / Sydney / Brisbane July 2006) A joint IP Australia/Austrade seminar series that aims to provide exporters (especially manufacturers) with an in-depth understanding of the intellectual property (IP) environment in China and ways they can protect their IP.
- *Fine Food 2006* (Melbourne September 2006). A food and beverage tradeshow primarily for food/beverage and food related equipment manufacturers will be profiling over 900 exhibitors with significant Austrade led buyer delegations from China attending.
- *China Mining and Coal Expo* (Beijing, November 2006). A key energy/mining related tradeshow in China with an expected 15 Australian mining suppliers of manufactured products attending.

Austrade's client base in China

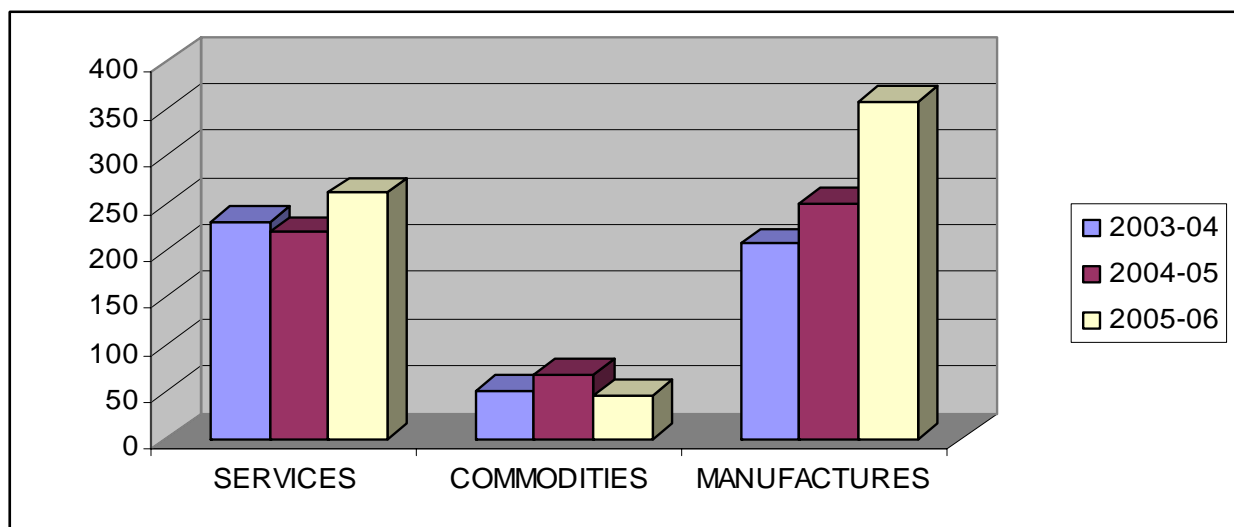
As the following table shows, the number of Austrade clients achieving export success in China has been steadily rising from 490 clients in 2003-04 to 667 clients in 2005-06. It is important to note that this is not the total number of clients receiving services from Austrade, rather it is those that have made a sale(s) in China with Austrade assistance.

CHINA EXPORT IMPACT CLIENTS 2003-04/2005-06

CORE CATEGORY	2003-4	% TOTAL	2004-5	% TOTAL	2005-6	% TOTAL
MANUFACTURED	207	42%	250	46%	358	54%
SERVICES	231	47%	220	41%	262	39%
COMMODITIES	52	11%	69	13%	47	7%
TOTAL	490	100%	539	100%	667	100%

Significantly one of the key drivers of this increase in clients making export sales to China has been Australian exporters of ETMs. ETM exporters have increased from 42 per cent of the total number of Austrade clients making sales in China in 2003-04 to 54 per cent in 2005-06. This is illustrated in the previous table. Additionally it is worth noting that in the last 2 years, exporters of manufactured items to China have overtaken services exporters as the largest Austrade client grouping. This is shown graphically below.

AUSTRADE CHINA EXPORT IMPACT CLIENTS 2003/4-2005/6



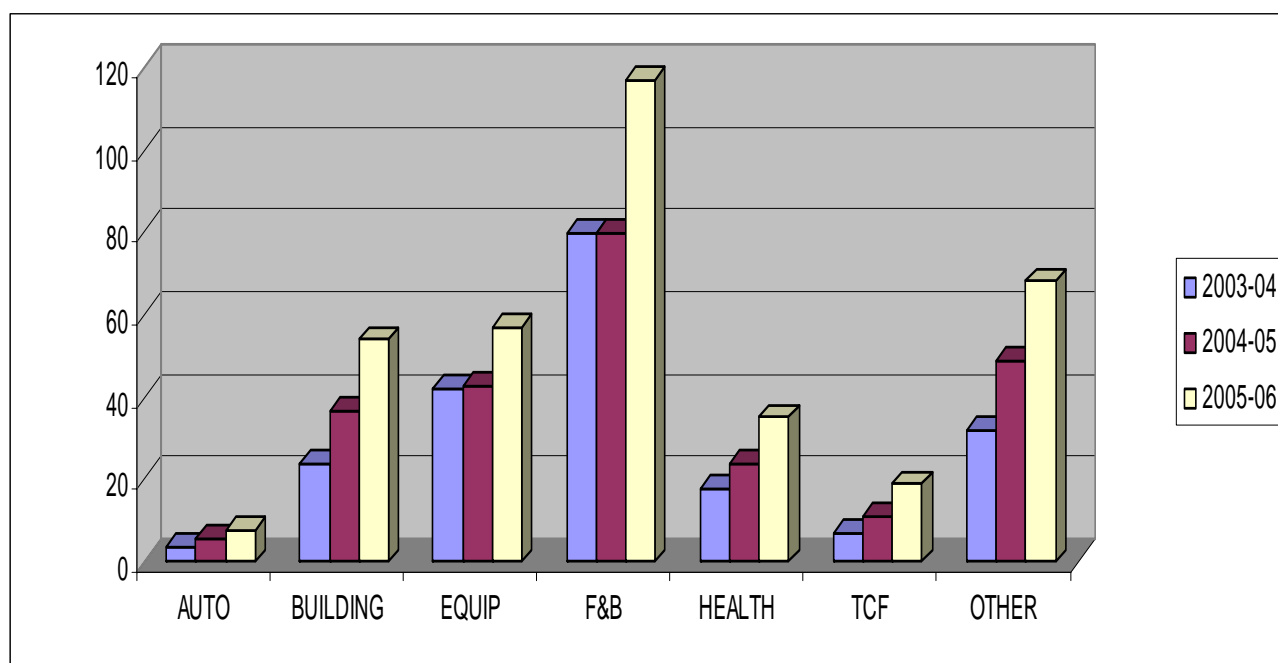
Austrade's client base of manufactured goods exporters can be further broken down into the following key sub industry groupings (listed in order of size):

- Food and Beverage (F&B)
- Electrical Items, Appliances and other Equipment (Equip)
- Building and Construction Products (Building)
- Health / Wellbeing / Pharmaceuticals and Medical Products (Health)
- Textiles / Clothing and Foot-ware (TCF)
- Automotive (Auto)

Export sales achieved with Austrade assistance by each of these industries are included in the following table and graph.

CHINA MANUFACTURING EXPORT IMPACT CLIENTS OF AUSTRADE CHINA BY SUB INDUSTRY

	AUTO	BUILDING	EQUIP	F&B	HEALTH	TCF	OTHER	TOTAL
2003-04	4	24	42	80	18	7	32	207
2004-05	6	37	43	80	24	11	49	250
2005-06	8	54	57	117	35	19	68	358



Some Examples of China Success by Australian Manufacturing Exporters

Business Name and Principal Activity	Description of Austrade Assistance and Client Success
Aldom Transport Engineering (Automotive product engineering)	Austrade introduced the opportunity to the client and followed up with numerous forms of assistance including representation at meetings with key decision makers. Resulting in the company selling manufactured product to a customer with \$12 billion turnover.
Vision Fire & Security (Very Early Warning Smoke Detection and intelligent fire control systems)	Vision Fire & Security are a Melbourne based company that have operated a multi-million dollar profitable trade into China with a range of Australian made market-leading product since 2000. They trade throughout China including Shanghai, Wuhan, Beijing and Hangzhou. Austrade has assisted Vision in promoting

	its products through specific technical seminars and trade shows, accessing government officials and identifying potential Chinese distributors
Mustang Cruisers (Power boats)	Mustang Cruisers are a Queensland based manufacturer of leisure power boats and through persistence and a quality product have made multiple sales in the Chinese market including Shanghai, Beijing, Hangzhou. Austrade has assisted Mustang Cruisers in identifying dealers in China, and promoting their products through Australian pavilions in trade shows in Shanghai and Hangzhou.

Key Issues, Challenges for Australian Manufacturers Exporting to China

Key issues and challenges face Australian manufacturers exporting to China, include:

- An operating environment that is often opaque;
- Identifying the appropriate channel / partner in the Chinese market;
- Ensuring timely payment and observance of contracts;
- Overcoming language and cultural barriers;
- Remaining price competitive and protecting/knowing your bottom line;
- Protection of intellectual property;
- Long lead-times to concluding a deal; and
- And the fact that China is not one homogenous market but multiple markets.

Key Opportunities for Australian Manufacturers Exporting to China

Despite this, there are significant opportunities for Australian manufacturers to supply into the world's most populous market, as the increasing number of Austrade manufacturing clients achieving export success in China clearly illustrates.

In particular Austrade China has identified the following sector specific opportunities:

- The supply of quality processed food and beverage products and ingredients especially to the increasingly affluent middle and upper class in the Chinese coastal zone;
- Providing agri-business products for intensive farming practices in China;
- Supplying building and construction related products catering for China's booming building, construction and infrastructure sectors;
- Providing health / well being related products to cater for the increasingly health conscious Chinese consumer;
- Supplying consumer products particularly fashion, jewellery and beauty manufactured items;
- Providing industrial products to areas such as the burgeoning energy and mining market; and
- Supplying specialist products to the Chinese automotive/transport industry.

It is also worth noting that there are non sector specific opportunities for Australian manufacturers to export to China including:

- Positioning Australia as a short run niche / specialist input manufacturer to China's vast array of mass market manufacturers; and
- Utilising the strong presence of Australian service exporters in China to gain greater penetration of the Chinese market for Australian manufacturers eg Australian architects are predisposed to incorporating Australian manufactured products they are familiar with in their designs, Australian agricultural consultants doing business in China are keen advocates of Australian solutions including manufactured agricultural products etc.

Conclusion

In summary, China's emergence as a manufacturing powerhouse undoubtedly poses many challenges to the Australian manufacturing sector that have been well documented elsewhere. However China's rapid growth, including huge investment in capital equipment and technology, also provides a multitude of opportunities. Austrade will maintain and strengthen its support to companies in manufacturing and related technologies as they seek to meet these challenges and opportunities across the many diverse regional markets of China.

Australian Free Trade Agreements (FTA) success stories

Australia-United States Free Trade Agreement (AUSFTA)

Agrilink

Soil moisture sensors, wireless systems and web - based data delivery systems that monitor plant water use, soil moisture, and agricultural weather stations

After entering partnerships with two of North America's largest agriculture products distributors, Agrilink is now seeking to expand its product lines within the US market. According to Peter Moller, Agrilink's Director of Business Development and Co-Founder:

"Australia is recognised globally as a leader in irrigation agriculture and technology; many parts of the US have similar dry environments to Australia, and US customers have latched onto our products"; and

"With AUSFTA, we have experienced tariff reductions on our products, which essentially translates to a 10-12 per cent reduction on list price – a significant savings we can pass on to our customers and enough to make us competitive in the US market against similar products. Furthermore, AUSFTA really levels the playing field for Agrilink against companies that have already enjoyed tariff reductions before Australia – like Canada and NAFTA".

EGR Inc-

Plastic products

President Geoff Thompson believes that the AUSFTA offers his company savings through tariff reductions on extruded products. In his words:

"The US market is very price sensitive and tariff reductions of two or three per cent can make the difference between getting new business or not. AUSFTA gives EGR better access to potential clients and makes the company more competitive"; and

"The tariff reductions as a result of AUSFTA on plastic products will provide EGR with the opportunity to gain new and mid-term contracts worth millions of dollars over the next few years. In its own way, EGR has been responsible for a "win-win" situation on Australia's trade balance. Prior to establishing its export business, EGR would import large quantities of plastic sheet, now it exports much more than it imports".

Dickens McLeod

Compact trench diggers

Dickens McLeod has developed the innovative KODA compact trench digger, which is specifically designed to help install residential sprinkler systems. The company has just sent its first shipment of equipment valued at \$75,000 to California. Philip Dickens, owner and manager of Dickens McLeod, noted that:

"At present, exports make up 20 per cent of our revenue, but we are confident that we can make that 80 per cent in next two to three years. This is due to the zero tariff our

diggers benefit from in the US thanks to the Australia-US Free Trade Agreement”;
and

“Austrade has been very supportive to his company, helping with trade shows and with patent advice. The next stop on the road to export success is the major World Ag Expo show in Turale, California in February 2006”.

Thailand-Australia Free Trade Agreement (TAFTA)

Dobinsons Spring & Suspension, North Rockhampton, QLD

Auto coil and leaf springs and suspensions

Dobinsons Spring & Suspension is enjoying a competitive advantage thanks to TAFTA. The company had been trying to crack the Thailand market for some time, but had not succeeded in getting a toehold until the introduction of TAFTA. Managing Director Glen Dobinson said his 30-person firm had secured a Thai distributor because TAFTA had slashed tariff rates on importing its Australian - made products for the 4WD after-market. Austrade worked closely with Dobinsons to identify and appoint the local representative. According to Glen Dobinson:

“We tried for a long time to enter Thailand with our 4WD after-market products but we were too expensive to import. The import duty was about 30 per cent before TAFTA; now it’s 5-10 per cent and dropping to zero. We’re around 25 per cent cheaper to import than what we were pre-TAFTA. Our Thai distributor says this drop has been a big factor in choosing us over our competitors”

Aztec Rose, Milperra, NSW

Women's surf-wear brand

This small business has spent the last 18 months creating a dynamic export model, with Austrade’s overseas assistance. The company now sells to Thailand, Japan, Hong Kong, Singapore and South Africa. Aztec Rose was visited by an Austrade-lead buying mission with one of the top retail groups in Thailand. The buyer was very impressed with the product and worked with Austrade to sort out import requirements and get the product onto the shelves. After the first consignment arrived, Aztec Rose was one of 15 Australian lifestyle fashion labels featured in the “Fashionably Australia” fashion show to help promote the brand availability in Thailand. Aztec’s Managing Director, Andrew McKee believes that TAFTA has given his brand an extra edge in Thailand. In his words:

“TAFTA is making our products cheaper to import into Thailand, which has made our customer go deeper with their commitment to us”

And the result of TAFTA and the company’s push into Thailand? *“The sky is the limit”*, as Aztec Rose aims to double its business in the next three years.

Think Appliances, Thomastown, VIC

Own-brand and imported ovens, cook tops, and large cooking appliances

As well as selling its products to up-market retail shops and boutique kitchen specialty stores in Australia, the company is also exporting to New Zealand, Iran, Saudi Arabia and Singapore – and most recently Thailand. Austrade worked closely with the company to identify distributors capable of representing the product in the right market segment in Thailand.

Mr David Gilbert, representing the company, said:

“TAFTA was instrumental in convincing our distributor in Thailand to go with us rather than a European competitor. Kitchen-appliance makers from Europe are paying a standard 16 per cent import duty on their products, whereas, because our products are made in Australia, we pay from 15 per cent to 0 per cent thanks to TAFTA. In the next few years, all our products will enter Thailand tariff-free. The FTA gain we receive, plus our quality, has put us in front of our European competitors in Thailand.”

The Old Colonial Cookie Company, Lilydale, VIC

Cookie products

Mr Howard Dray, the Managing Director of The Old Colonial Cookie Company notes:

“TAFTA has allowed us access a new market. It has made entry into the Thai market acceptable by the reduction of tariffs and thus a lowering of price point on the shelves. Up until TAFTA the tariff on butter-based cookie exports to Thailand was prohibitive. The original tariff was 25.7 per cent and now it is 24 per cent. However, in 2006-07 it falls to 18 per cent, and then in 2008 it falls again to 12 per cent. In 2009 it falls to 6 per cent and then to zero in 2010”; and

“We did not even think about entering the market until the reduction of tariffs. Without the tariff gain the product would have been out of reach of the consumer, and this would be too high a barrier to enter the market. After TAFTA and after advice from Austrade, we saw it as viable. We have also found a growing sense that Australian goods are available and in reach of Thai consumers.”

Sydney Essential Oil Company, Alexandria, NSW

Cosmetic goods

Michael Samperi, the Managing Director, commented that:

“TAFTA has definitely had an impact on the success of the company. This is because of the lowering of tariffs.”

While he was not sure of the exact reduction, the previous tariff on cosmetic goods was high and it has been significantly reduced. This gives a perception that the products are very good value. Plus it means Australian products are easier to import:

“Thailand and Asia are booming markets and things like TAFTA just make things easier. And Austrade has been a big help through their organised trade shows.”