

Introduction: the trade system and the digital economy

The trade system and the digital economy

- 1.1 The internet is making 'it easier, quick and cheaper for consumers and businesses to trade goods, services and exchange information' globally.¹ An estimated 90% of Australians are online and approximate 84% of our small to medium-sized businesses have an online presence.² So it follows that an open, free and secure internet will drive economic growth through digital trade³ and create significant opportunities for Australian businesses.⁴
- 1.2 Australia's International Business Survey of 2016 found that:
 - 60 per cent of Australian business engaged in international trade were using e-commerce to sell goods;
 - 26 per cent to sell services; and
 - 14 per cent to sell both goods and services.⁵
- 1.3 The 'digital economy' refers to:

... the range of economic and social activities that are enabled by information and communications technologies. It includes

1 Department of Foreign Affairs and Trade (DFAT), *Submission 11*, p. 2.

2 Department of the Prime Minister and Cabinet (PM&C), *Submission 4*, p. 1.

3 Department of Foreign Affairs and Trade (DFAT), *Australia's International Cyber Engagement Strategy*, Australian Government, Canberra, p. 10.

4 Dr Tobias Feakin, Ambassador for Cyber Affairs, Department of Foreign Affairs and Trade, *Committee Hansard*, 9 February 2018, p. 1; DFAT, *Submission 11*, p. 1.

5 DFAT, *Submission 11*, p. 3.

activities like banking, buying and selling, and accessing education or entertainment using the internet and connected devices.⁶

- 1.4 *Australia's International Cyber Engagement Strategy* characterises digital trade as:
- ... not just about buying and selling goods and services online, it is also the transmission of information and data across borders. It relies on the use of digital technologies to facilitate trade and improve productivity, for example through simplified customs procedures.⁷
- 1.5 The digital economy is increasingly recognised as a platform for international trade and is a key focus area for forums such as the G20, APEC and the OECD.⁸
- 1.6 The 'digital economy' should not be seen as separate to, or distinct from, The Economy. Increasingly, the economy *is* a digital economy, and Australia – like every other country – needs to ensure it is not left behind.
- 1.7 The Australian Chamber of Commerce and Industry (ACCI) summarised well an oft-expressed theme of this inquiry, that '[t]here is no such thing as the "digital" economy. We need to recognise that there is only the economy in a digital world'.⁹
- 1.8 Indeed, all trade has a digital component:
- Digital technology now underpins and enables virtually every kind of cross-border flow and the boundary between physical and digital products is becoming increasingly blurred. The old notion that digital was part of the services sector no longer applies and now virtually every type of cross-border transaction has a digital component, including most physical goods.¹⁰
- 1.9 Furthermore, the increased digitisation of the economy will see an ongoing collapse in distinctions between types of businesses:
- We are moving inexorably towards a world of universal online commerce, internet design libraries, digital printing and digital manufacture. In this future, even the most simple retail businesses

6 Department of Industry, Innovation and Science (DIIS), *The Digital Economy: Opening up the conversation*, Consultation paper, 19 September 2017, available at <https://industry.gov.au/innovation/Digital-Economy/Pages/default.aspx>, p. 9.

7 DFAT, *Australia's International Cyber Engagement Strategy*, October 2017, p. 13.

8 DIIS, *Submission 3*, p. 7.

9 Australian Chamber of Commerce and Industry (ACCI), *Submission 18*, p. 1.

10 DIIS, *Submission 3*, p. 7.

will be indistinguishable from globally trading knowledge-economy service organisations.¹¹

About this inquiry

- 1.10 This inquiry was initiated when, on 8 August 2017, the Minister for Trade, Tourism and Investment, the Hon Steven Ciobo, asked the Joint Standing Committee on Trade and Investment Growth to inquire into and report on:
- the responsiveness of Australia’s trade architecture and regulatory system to the contemporary needs of the digital economy and disruptive technology; and
 - measures to improve the cyber resilience of Australia’s trade-focused business sector.
- 1.11 The Committee received 23 submissions and held 13 public hearings. Details of these are included in appendix A (submissions) and B (public hearings) of this report.
- 1.12 This report focuses on the actions taken to date by the Australian Government in response to the emergence of the digital economy as it relates to the trade system, and makes recommendations about how the Government might further respond to the challenges and opportunities this brings.
- 1.13 This report consists of four chapters:
- Introduction
 - Government programs – how is the Australian Government approaching the digital economy, especially as it relates to trade?
 - Challenges and opportunities of the digital economy – where might problems lie as the world’s economy moves increasingly into the digital realm; what needs to be improved in Australia’s response; and how can individual businesses and the Australian economy as a whole make the most of the expanded opportunities brought about by the digital economy?
 - Action and recommendations – what should the Australian Government do in response to the challenges and opportunities of the digital economy?

11 Australian Institute of Performance Sciences (AIPS), *Submission 16*, p. 3.

