



## **Australian Government**

### **Department of Foreign Affairs and Trade**

### **Australian Trade and Investment Commission (Austrade)**

### **Export Finance and Insurance Corporation (Efic)**

#### **Submission to the Joint Standing Committee on Foreign Affairs, Defence and Trade Trade Sub-Committee**

#### **ACCESS TO FREE TRADE AGREEMENTS BY SMALL AND MEDIUM SIZED ENTERPRISES**

##### **Introduction**

The Foreign Affairs and Trade portfolio, comprising the Department of Foreign Affairs and Trade (DFAT), the Australian Trade and Investment Commission (Austrade) and the Export Finance and Insurance Corporation (Efic), welcomes this inquiry by the Joint Standing Committee on Foreign Affairs, Defence and Trade. The Portfolio supports small and medium-sized Australian enterprises (SMEs) to help them export successfully and enable them to maximise the opportunities from greater openness to trade and investment.

##### **The FTA agenda**

The Australian Government has an ambitious trade and investment agenda that is providing substantial new opportunities for Australian SMEs and other businesses. This agenda includes the active negotiation, implementation and review of free trade agreements (FTAs). FTAs generally benefit Australian SMEs by:

- creating a competitive edge for their goods and services exports, including in e-commerce;
- providing access to a wider range of more competitively priced imports;
- deepening their engagement in global value chains;
- safeguarding against protectionist tendencies in other countries;
- improving access to overseas investment capital and new technologies; and
- providing new growth and employment opportunities.

Australia has ten FTAs in force with 16 countries (Attachment A). Around two-thirds of Australia's current trade is with FTA partner countries. Australia has signed but not ratified yet the TPP-11 (also known as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership) with Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam. In addition, Australia has signed but not yet ratified the Pacific Agreement on Closer Economic Relations (PACER) Plus and the Peru-Australia FTA (PAFTA). Australia is negotiating FTAs with a number of trading partners, including Regional Comprehensive Economic Partnership (RCEP) economies (China, India, Korea, Japan, New Zealand and ASEAN), Hong Kong, Indonesia, Pacific Alliance countries (Peru, Chile, Colombia, and Mexico) and India. FTA negotiations are expected to commence with the European Union later this year.

The Government's approach to negotiating FTAs is to consult widely, including with SMEs, before, during and after the negotiation process, to ensure FTAs deliver benefits to the full spectrum of Australian businesses of all sizes with respect to goods, services and investment. Australian negotiators strive to ensure that rules of origin and other elements of FTAs are as trade facilitative as possible – though FTAs by definition involve other countries, with different approaches to regulation.

The focus on trade facilitative approaches is one reason why the TPP-11 features a dedicated SME chapter, which encourages SME participation in government procurement opportunities in all TPP countries. It also creates common and transparent trade and investment rules among TPP-11 parties. The Peru-Australia FTA also includes a dedicated SME chapter.

#### Government support to help SMEs benefit from FTAs

Portfolio agencies provide significant support to SMEs to access benefits under these FTAs. While Austrade provides advice and services to all eligible Australian businesses, its support is mainly targeted at around 10,000 SMEs. Furthermore, four of Austrade's five purposes from its 2017-18 Corporate Plan (developing international markets, promoting international education, winning productive foreign investment and strengthening Australia's tourism industry) relate to SMEs. FTA accessibility is a prominent element of Austrade's service delivery. In particular, the TradeStart network provides local export assistance and other Austrade services across regional Australia, including advice on unlocking the benefits of Australia's FTAs. SMEs who are or aspire to become exporters are also the primary focus of Efic's operations.

DFAT's 2018-20 Corporate Plan includes a priority to "Improve market access for Australian goods and services, attract foreign investment and support business." DFAT is advancing these objectives through the negotiation and implementation of high quality bilateral, regional, plurilateral and multilateral trade and investment agreements. As per the 2017 Foreign Policy White Paper, DFAT is also promoting greater regional economic integration in the Indo-Pacific.

After the entry into force of FTAs, DFAT and Austrade engage in a range of advocacy and outreach efforts to ensure SMEs and other businesses understand the benefits and requirements of FTAs. This includes information seminars, in-market activities, hotlines, mailboxes, publications and online resources, including the Department's FTA Portal.

DFAT and Austrade actively leverage the TradeStart network domestically as well as our international network to support SMEs and other businesses in overseas markets, particularly on resolving market access issues and addressing non-tariff measures.

DFAT's economic diplomacy agenda further aims to support Australia's economic and commercial interests, including with respect to SMEs. Launched in 2014, the economic diplomacy agenda provides a framework both onshore and offshore to exchange insights with businesses on foreign markets and global economic conditions. It helps Australian businesses to navigate political and other risks and, in consultation with Austrade, assists in the identification of commercial opportunities in unfamiliar business and regulatory environments. In partnership with businesses, economic diplomacy seeks to open up commercial opportunities and demystify the international economic landscape.

The Department also supports SMEs through its engagement in multilateral fora, such as the World Trade Organization (WTO), the G20, APEC and the Organization for Economic Cooperation and Development (OECD). Together, these efforts promote economic reform, open markets and a rules-based global economy. Recent successes include the WTO's Trade Facilitation Agreement (TFA), which aims to reduce administrative costs associated with exporting and importing.

Increasing SMEs' engagement in trade is part of a whole-of-Government approach. The Department of Industry, Innovation and Science, the Department of Agriculture and Water Resources, the Department of Jobs and Small Business, the Department of Home Affairs and other agencies share responsibility for supporting SMEs through their policies and programs. There is evidence cited in this Submission that the Australian Government has contributed to helping SMEs become successful exporters.

### Overview of SME involvement in trade

The Australian Government understands that trading can be a complex and challenging journey for SMEs, particularly those looking to export or import for the first time. To become "trade ready" and position itself to benefit from FTAs, an SME needs to take a number of steps, including:

- identify which of its goods or services is able to compete internationally;
- consider what imports could make its goods and services competitive domestically and internationally;
- research potential markets for that product or service;
- establish links with traders/customers in target markets;
- make financial, legal and logistical arrangements;
- understand how to access FTA benefits; and
- ensure compliance with regulatory requirements.

FTAs and Government programs can help businesses reach various milestones, but are just one element of an SME's journey to becoming a successful exporter.

Australian Bureau of Statistics (ABS) data shows that around 51,000 or 2.4 per cent of all Australian businesses directly engaged in exporting goods in 2015-16<sup>1</sup>. While SMEs made up 87.8 per cent of Australia's total *number* of goods exporters, they represented just 5.3 per cent to Australia's total *value* of goods exports in 2015-16 (up from 3.9 per cent in 2013-14).<sup>2</sup> This upwards trend in SME engagement in exporting is positive, and we expect the Government's initiatives on e-commerce and active trade negotiation and promotion agenda will generate further SME export growth. Although SME exporters can transition over time to become large enterprises, it is clear from ABS data that the overall value of SME goods exports is low in comparison to other enterprises. There is also significant turnover among

---

<sup>1</sup> Source: ABS Catalogues 5368.0.55.006 *Characteristics of Australian Exporters* and 8165.0 *Counts of Australian Businesses*. Note that the definitions of what constitutes an SME or large business may be inconsistent between the two ABS catalogues, although the analysis is conceptually valid. The Australian Bureau of Statistics does not publish information on SME services exporters or exports.

<sup>2</sup> The SME share of 2015-16 exports is 10.4 per cent if the mining industry is excluded from the analysis.

SME exporters – they are more likely to export less frequently (or just once or twice), in smaller volumes of lower value.

The story is complex on the services side as well. Around 73 per cent of Australia's GDP in 2017 came from the services sector<sup>3</sup>. Australia's relative geographic isolation can make it more difficult for SMEs to export their services. This makes international comparisons of Australia's SME export intensity difficult – EU SMEs, for example, can easily move across borders to supply services.

Many SMEs participate in exporting without being directly involved. Instead, they are involved in the production of a good or service that is exported by others. A honey producer who sells to a local co-operative, which then exports to an Indonesian food manufacturer, is participating in a global value chain. A café where Chinese and American tourists eat breakfast is exporting hospitality services. Finally, many SMEs and even large exporters outsource their interaction with FTAs to freight forwarders, customs agents and other trade intermediaries.

The remainder of the Submission addresses each of the Committee's Terms of Reference.

### **Consideration of what products and services (e.g. inclusion and prioritisation) are negotiated in free trade agreements**

FTA negotiations are guided by Cabinet-approved whole-of-Government negotiating mandates that take into account our national interests. Australia pursues high quality, comprehensive agreements with our negotiating partners. In goods trade, Australia seeks liberalisation of all tariff lines within the shortest possible timeframe. While this is not always achievable, Australia seeks to limit exclusions to the least number of tariff lines possible. Australia enters negotiations looking to agree on rules and procedures that facilitate trade, for example, aiming for Declarations, rather than Certificates, of Origin.<sup>4</sup> Australia aims to address non-tariff measures (NTMs) wherever they cause trade restrictions, but recognises the rights of trading partners to impose their own standards, quarantine procedures and other regulations. On services and investment, Australia seeks to lock in the broadest possible market access. Wherever there is an identified need or opportunity, Australia also negotiates issue-specific chapters, for example on financial services. Inevitably, the outcomes reflect that FTAs are negotiated agreements between Australia and its trading partners who each pursue their national interests. It is also often a compromise between Australia's open trade and investment regulatory and legislative arrangements, and negotiating countries' equivalent arrangements.

Australia's FTAs increasingly include chapters that address the needs of SMEs. The approach taken in these chapters is to focus on transparency of trade obligations and cooperation, with a view to improving SME trade within the FTA. The transparency

---

<sup>3</sup> Source: DFAT analysis based on ABS Catalogue 5206.0 *Australian National Accounts* (December quarter 2017).

<sup>4</sup> A Certificate of Origin typically needs to be obtained (for a fee) from an authorised body, such as the Australian Chamber of Commerce and Industry. A Declaration of Origin, or self-certification, is usually provided by the manufacturer or exporter.

obligations require the publication of information relevant to SMEs to assist them in benefitting from the opportunities created by the FTA.

PAFTA is an example of a recently concluded FTA with such an SME chapter. It contains obligations regarding cooperation between FTA partners to grow and promote SME trade. This includes nominating contact points on SMEs that will:

- identify ways to assist SMEs to take advantage of FTAs;
- exchange experiences on best practices to support SME exporters;
- explore opportunities for capacity building opportunities to enhance SME export counselling, assistance and training programs; and
- facilitate the development of programs to assist SMEs to participate in, and contribute to, global supply chains.

The use of contact points enables the Government's support to SMEs to evolve with the changing needs of SMEs. The box below sets out PAFTA's SME chapter.

**Peru-Australia FTA Article 23.3: Activities and Contact Points on SMEs**

1. Each Party shall designate and notify a contact point on SMEs, to facilitate communications between the Parties on any matter covered by this Chapter.
2. Where appropriate, the contact points shall facilitate the coordination of meetings between government representatives of each Party to address any matter covered by this Chapter.
3. The Parties shall, to the extent possible:
  - a. discuss ways to assist SMEs of the Parties to take advantage of the commercial opportunities under this Agreement, including but not limited to, considering ways to develop mechanisms in order to foster partnerships and the development of productive chains;
  - b. exchange and discuss each Party's experiences and best practices in supporting and assisting SME exporters with respect to, among other things, training programmes, trade education, trade finance, identifying commercial partners between the Parties and establishing good business credentials;
  - c. facilitate access to trade promotion networks, business fora, business cooperation instruments, and any other relevant information for SME exporters;
  - d. promote seminars, workshops or other activities to inform SMEs of the benefits available to them under this Agreement;
  - e. explore opportunities for capacity building to assist each Party in developing and enhancing SME export counselling, assistance and training programmes;
  - f. explore opportunities for the development of programmes to assist SMEs to participate and integrate effectively into the global supply chain;
  - g. exchange information to assist in monitoring the implementation of this Agreement as it relates to SMEs;
  - h. facilitate provision of recommendations to the Joint Commission; and
  - i. consider any other matter pertaining to SMEs, including any issues raised by SMEs regarding their ability to benefit from this Agreement.
4. The Parties may seek to collaborate with appropriate experts and international donor organisations in carrying out their programmes and activities.

E-commerce is opening up new opportunities and is an increasingly important way for Australian SMEs to trade with the world. As set out in the [International Cyber Engagement Strategy](#) and DFAT's submission to the Parliamentary Inquiry into the Trade System and the Digital Economy, the Australian Government is taking the lead on digital trade rules through our FTAs and driving a new e-commerce initiative in the WTO (see page 14), complementing our efforts in the G20, APEC and OECD. E-commerce chapters in Australia's FTAs set rules that build trust and confidence in the online environment and facilitate exports by SMEs without the need for a physical local presence.

The inclusion of particular elements in FTAs is guided by consultations with stakeholders. The FTA process – from inception to implementation – typically involves consultation with businesses, including SMEs, at the following stages:

- seeking submissions and conducting face-to-face meetings before negotiations begin to identify priorities and sensitivities, so negotiators are well-placed to deliver the outcomes businesses, including SMEs, are looking for;<sup>5</sup>
- ongoing and intensive consultations during negotiations to update businesses and industry bodies on progress and seek their views on specific offers from trading partners;
- encouraging businesses to provide submissions and testimony to the Joint Standing Committee on Treaties whenever it conducts hearings on proposed FTAs;
- outreach and advocacy to businesses following entry into force of the FTA to ensure they understand the benefits and requirements of the FTA, and how to take advantage of them;
- addressing any FTA implementation concerns raised by businesses in relevant meetings of committees established under each FTA;<sup>6</sup> and
- seeking further submissions as Australia and its trading partners undertake mandated periodic reviews of FTAs<sup>7</sup>.

With each FTA negotiation, DFAT welcomes submissions and feedback from all stakeholders, although the views of SMEs often reach us through peak bodies and business groups, such as the Australian Chamber of Commerce and Industry or AiG. For example, representations by industry stakeholders contributed to JAEPA outcomes, particularly improved export market access for horticultural products such as natural honey and walnuts. DFAT is constantly reassessing how to liaise best with SMEs. In the Pacific Alliance negotiations, to reach more mining equipment technology services (METS) suppliers, many of whom are SMEs, DFAT developed an online survey about their trade needs and patterns.

---

<sup>5</sup> For example, DFAT received more than 260 submissions before and during the China-Australia FTA (ChAFTA) negotiations, and held direct consultations and discussions with over 1,000 stakeholders.

<sup>6</sup> For example, a recent meeting of ChAFTA's Sanitary and Phytosanitary Committee discussed a range of export protocols for agricultural exports to China.

<sup>7</sup> Australian business has benefited from upgrades to the Singapore-Australia FTA and the ASEAN-Australia-New Zealand FTA in recent years in response to business requests. See Attachment A for further information on FTA review mechanisms.

## Awareness of, and accessibility to, free trade agreements

In 2017, DFAT commissioned PricewaterhouseCoopers Australia (PwC) to undertake a comprehensive, independent analysis of FTA utilisation (see box below). While the study confirmed high rates of utilisation and awareness of FTAs, the finding that SMEs lag behind larger enterprises in their awareness of and utilisation of FTAs is not surprising. Government agencies are well aware SMEs are at a resource and capability disadvantage *vis-a-vis* large enterprises, which may affect their ability to understand and utilise FTAs. This is why we have initiated programs to increase awareness of and understanding of FTAs, specifically targeting SMEs. As mentioned elsewhere in this paper, business feedback on the FTA roadshows, FTA Portal and other initiatives has been very positive. These programs are making a positive contribution to SME awareness of and utilisation of Australia's FTAs.

### FTA Utilisation Study

The Minister for Trade, Tourism and Investment, The Hon Steven Ciobo MP, announced PwC's [\*Free Trade Agreement Utilisation Study\*](#) in March 2018. This independent research, commissioned by DFAT, looked into business utilisation of Australia's FTAs and the wider impact of FTAs on Australian business activity. The study covered all of Australia's existing FTAs, with an emphasis on those with China, Japan and Korea.

The study found high overall awareness of FTAs among the Australian business community, and high utilisation of preferential tariff rates under Australia's North Asia FTAs. The report found Australian businesses view FTAs favourably, and FTAs are influencing business activity, confidence and expansion planning. FTAs also provide greater regulatory certainty for Australian service providers and investors in partner markets, according to the report.

The report found 95 per cent (by value) of Australia's eligible goods exports to Japan entered under a Japan-Australia Economic Partnership Agreement (JAPEPA) preference. The FTA preference utilisation rate was 85 per cent for Australia's exports to China, and over 80 per cent for Australia's exports to Korea.

In terms of individual businesses, the report found 62 per cent of surveyed Australian exporters use FTAs. It also found SMEs lag behind larger enterprises in using FTAs, with 55 per cent of exporting SMEs using FTAs, compared to 77 per cent for large enterprises.

PwC's report also found "*understandably, appreciation of the detailed requirements of FTAs.... varies among businesses, especially at the SME level*". The report cited DFAT's FTA Portal and Austrade programs as significant aids assisting businesses to understand FTAs, and highlighted further education and advocacy, particularly for SMEs, among ways to optimise business utilisation of FTAs. The report also highlighted the important shared role of trade intermediaries, industry associations and business groups, along with Australian Government agencies, in assisting businesses to understand and utilise Australia's FTAs.

PwC's report also identified other options to optimise utilisation of FTAs, including streamlining origin documentation, reducing compliance costs, digitising forms, improving understanding of services and investment commitments in FTAs, and using existing review mechanisms in FTAs to enhance and align their benefits.

There are also technical explanations as to why the use of FTAs may differ between SMEs and larger enterprises:

- Trade liberalisation has resulted in a large proportion of international trade enjoying zero duties under Most Favoured Nation (MFN) arrangements. Many exporters, including SMEs, do not use FTAs if their product(s) are already entering export markets duty free;
- Transport, and administrative costs associated with origin certification and export documentation, may represent a greater proportion of smaller, lower value shipments for some FTA markets;
- Competitiveness and lack of economies of scale may prevent export growth; and
- Lack of capacity to navigate customs, quarantine and other regulatory processes in other countries.

Universal accessibility of SME to FTAs requires continued efforts to raise awareness and understanding of FTAs, and assistance to current and future SMEs in their journey to export. The options identified by PwC to optimise utilisation of FTAs are consistent with Government policy and reflected in our ongoing work program. The Portfolio is working with industry associations, businesses, trade intermediaries, domestic agencies and our FTA partners to progress these important initiatives to assist businesses. In particular, we acknowledge the particular benefits to SMEs associated with streamlining and reducing administrative costs associated with FTA documentation. See the separate section below on Government support structures helping SMEs to benefit from FTAs.

### **Lessons learnt from attempts at leveraging free trade agreements, including barriers to implementation and success in fast-tracking export opportunities;**

There are numerous examples of SME exporters benefiting from the opportunities offered by FTAs to increase the value of their exports to FTA-partner countries. Some examples from sectors with a high proportion of SMEs include:

- exports of table grapes to China have increased to \$148 million in 2017, up from \$15.3 million in 2015 (before ChAFTA);
- exports of shelled macadamias to Korea have increased to \$14 million in 2017, up from \$4.5 million in 2014 (before KAFTA);
- exports of chipping potatoes to Korea have grown to \$11.6 million in 2017, up from \$4.3 million in 2014 (before KAFTA);
- exports of blankets and travelling rugs to China have increased to \$8.4 million in 2017, up from \$1.5 million in 2015 (before ChAFTA);
- exports of natural honey to Japan have grown to \$2 million in 2017, up from \$500,000 in 2014 (before JAEPA); and
- exports of handbags to Japan have grown to \$1.4 million in 2017, up from \$51,000 in 2014 (before JAEPA).

One lesson learnt from the Portfolio’s interactions with SMEs is that the trade intermediary sector is of key importance in assisting SME exporters to use FTAs, in the same way that a business may outsource its taxation or legal services. Data from the PwC research suggests SMEs lag behind large enterprises in their use of trade intermediaries, similar to the lag in FTA utilisation. The Government would like to encourage greater, cost-effective use by SMEs of skilled trade intermediaries as one mechanism to assist them in their FTA utilisation.

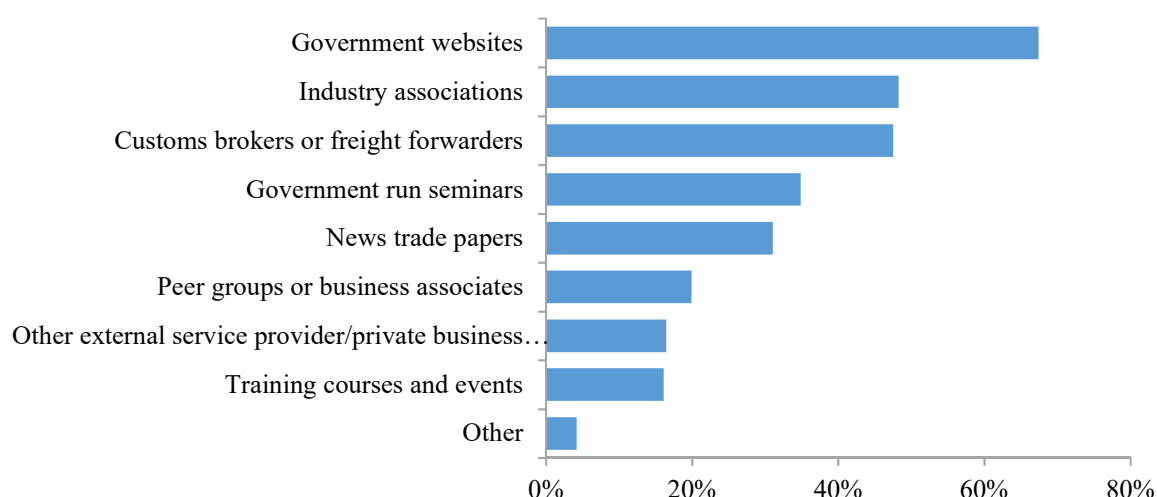
FTAs have built-in Committee mechanisms to varying degrees and many, such as the China-Australia FTA, the Japan-Australia Economic Partnership Agreement, and the ASEAN-Australia-New Zealand FTA (AANZFTA), have mandated periodic review mechanisms. DFAT uses feedback and lessons learnt from SMEs to make changes to FTAs. For example, the First Protocol to amend AANZFTA simplified origin requirements in response to requests from SMEs and other businesses.

### **Role and effectiveness of support structures and networks in helping leverage free trade agreements**

Lack of awareness is a common reason cited by businesses for not using FTAs. Communicating the benefits of the agreements – and how to use them – is important to maximising the benefits to Australian businesses, and our economy.

PwC’s *Free Trade Agreement Utilisation Study* reveals that businesses obtain information and advice about FTAs primarily from Government websites, industry associations, customs brokers and freight forwarders, Government-run seminars and trade newspapers (Figure 1).

**Figure 1: Responses to survey question – Where does your business obtain information and advice about FTAs?**



Source: PwC *Free Trade Agreement Utilisation Study*, Figure 12

The Government's ongoing FTA outreach activities largely focus on helping SMEs and other businesses to understand and take advantage of Australia's FTAs, particularly our FTAs with Korea, Japan and China.

### *Information seminars*

One component of this outreach is the FTA information seminar series. Between March 2015 and April 2018, around 4,000 business representatives attended one of 100 FTA information seminars delivered by Austrade and DFAT. Many of the attendees were SME representatives. These seminars have been held in all states and territories, often in regional locations, and are continuing. Recently, these seminars were expanded to cover FTAs that are currently moving towards entry into force, such as PAFTA and TPP-11.

Austrade and DFAT state and territory offices support the FTA promotion activities of the state and territory governments, as well as draw on their networks of business related contacts to identify local case study speakers and promote the Australian Government's seminars and other outreach activities.

Analysis of the FTA seminars delivered in 2016-17 continues to show satisfaction with the seminar series across all audience segments. Attendees report an increased awareness and understanding of North Asia FTAs after attending the seminars. In a survey of participants at the seminars held in 2016-17, 85 per cent of respondents agreed that all (41 per cent) or most (44 per cent) of their objectives were met by attending a seminar. This was an increase from 73 percent in 2015-16. Over 47 per cent of respondents said they would recommend the seminar to a peer or colleague, achieving a Net Promoter Score<sup>8</sup> of +32, up from +26 in 2015-16 (generally regarded as a strong result). Further analysis of feedback from the seminars delivered in the 2017-18 financial year will be conducted in July 2018.

Furthermore, Austrade closely engages industry associations about FTAs, including leveraging their networks to raise awareness and utilisation of Australia's trade agreements.

Austrade and DFAT also engage in third-party FTA outreach activities, such as keynote or panel speakers at industry events. For instance, Austrade and DFAT representatives presented at several professional development events for customs brokers and freight forwarders held around Australia in 2017.

### *In-market activities*

To stimulate offshore demand, Austrade and DFAT deliver in-market activities to inform customers of Australian products of the benefits of the FTAs. Examples include Australia's largest-ever trade mission – Australia Week in China – led by Minister Ciobo in April 2016 and the Access China delegation by then-Assistant Minister Keith Pitt in October 2016.

---

<sup>8</sup> A Net Promoter Score is a management tool used to gauge the loyalty of client relationships.

### *Hotlines and mailboxes*

DFAT's North Asia FTA Helpdesk also offers a phone hotline and email service where SMEs and members of the public, including those exporting for the first time, can contact FTA experts with specific questions or issues. The Department works with businesses, national and state chambers of commerce and peak bodies to improve understanding and utilisation of these FTAs and ensure the public receives consistent and accurate advice.

### *Publications and online resources*

Several online platforms provide additional FTA-related information:

- DFAT's principal FTA website ([www.fta.gov.au](http://www.fta.gov.au)) contains information on Australia's existing FTAs and current FTA negotiations to assist businesses and the Australian community to understand these agreements and their implications. The website also provides information on how interested members of the public and stakeholders can make submissions on current and prospective negotiations.
- The Austrade website ([www.austrade.gov.au/fta](http://www.austrade.gov.au/fta)) features factsheets, guides and videos of companies succeeding in FTA markets as well as broader information to further support for Australian exporters, including useful links to FTA seminars, relevant DFAT sites and the FTA Portal. Additionally, the Austrade Toolkit ([toolkit.fta.gov.au](http://toolkit.fta.gov.au)) houses easily downloadable FTA presentations, and information and educational tools.
- The FTA Portal is a prize-winning website specifically developed by DFAT to assist SMEs in understanding the benefits and requirements of FTAs, see box below.

## FTA Portal

The FTA Portal ([ftaportal.dfat.gov.au](http://ftaportal.dfat.gov.au)) promotes utilisation of Australia's FTAs by enabling prospective and existing importers and exporters to explore how they can benefit from Australia's FTAs. It features a sophisticated tariff finder that shows the reduction in tariffs over time, a step-by-step guide to determine whether exports or imports meet a given FTA's rules of origin, trade data on individual markets, and relevant links to help businesses make trade decisions. The Portal helps SMEs overcome the so-called 'noodle bowl' effect of overlapping FTAs with a tool that allows them to compare FTAs and choose the one that offers the greatest benefits. New FTAs will be added to the Portal as they enter into force.

In response to calls from businesses, the Portal was expanded in April 2018 to include services commitments made by Australia's FTA partners, in addition to commitments on goods. Further service sectors are expected to be added in June 2018. Information on services explains how businesses can export their services across borders, travel to overseas markets to supply their services, or establish a presence overseas to supply services. DFAT specifically targeted SMEs in its user testing of this enhancement of the Portal to ensure they are able to use it effectively.

The Portal is being utilised very well – it has attracted around 150,000 unique users since its launch, with 2,600 users per week on average. The latter figure has increased steadily since the Portal's launch.

At a demonstration of the Portal at the ASEAN Special Summit 17-18 March 2018, over 30 SME and business representatives learnt about how the Portal could assist their businesses in taking advantage of export opportunities. Real Dairy, which has facilities in New South Wales, Victoria and Queensland, is looking to export cheese and dairy products to new markets in Asia. Alexander Lederer, a representative from the company who participated in the demonstration, said the Portal was *“very useful in providing details of tariffs and safeguards.”*

Efic, Australia's official export credit, agency is another Government support structure helping SMEs take advantage of FTAs by providing access to finance. Efic operates on a commercial basis and has been mandated since 2014 to focus on supporting Australian SMEs that are either exporting, involved in an export global supply chain or growing internationally, see box below.

## Efic

Legislative changes enacted in September 2017 enable Efic to lend directly to a wider range of SMEs, including tourism operators, online businesses, exporters of intellectual property and other related rights, and businesses engaged in overseas direct investment.

Efic has purpose-built lending facilities for SMEs, including an online portal – EficDirect – for applications, giving Australian SME exporters quick and easy access to trade finance. Efic provides financial support across all SME sectors and to multiple export destinations. Since 2014, Efic has supported 353 Australian SMEs with exports worth over \$2.9 billion to 77 countries.

FTAs with Japan, Korea, China and the ASEAN economies in particular have enabled Australia's SME exporters to benefit from these dynamic growth regions. Efic has helped 91 companies export to these FTA markets since 2014, with contracts amounting to \$488 million in value.

One company able to utilise Australia's network of FTAs is Cassegrain, a multi-award winning winemaking company based in Port Macquarie, NSW.

In response to higher demand, Cassegrain wanted to increase its sales to Japan and China. In order to realise this potential growth, however, Cassegrain needed working capital to pay suppliers and keep production running smoothly.

Efic provided the business with a \$500,000 Export Contract Loan to help deliver on growing export contracts and to invest in its manufacturing capacity.

*"Export is a fantastic future for the Australian wine industry, and naturally the free trade agreements recently signed with Japan, Korea and China are a great boost. It gives us a great opportunity to take advantage of the opportunities the free trade agreements will give us."*

– John Cassegrain, Director, Cassegrain

Looking to the future, the Department is also working with the Department of Home Affairs to progress the development of a single window for trade. A single window would transform the Australian international trade environment and allow for seamless and integrated interaction between Government and SMEs by creating a single point of contact with all regulatory agencies involved in trade. SMEs are being consulted as part of the single window design process.

### **Ongoing capacity building that will assist in creating opportunities and capturing more value from free trade agreements in the future**

In addition to the FTA outreach activities referred to above, Austrade manages the FTA Training Provider (FTA-TP) grant. Twenty-six organisations across Australia received grants worth a total of \$2.14 million. FTA-TP grant recipients are member-based business organisations with significant SME outreach capacity. The purpose of the funding is to deliver technical FTA knowledge that increases SMEs' FTA utilisation in North Asian markets. To date, successful grant recipients have delivered over 120 technical FTA training sessions nationally.

FTA-TP grant information sessions were held in capital cities or via webinar before the commencement of each grant round. These sessions were marketed to both member-based

business organisations and state government counterparts to encourage engagement from interested stakeholders. State and territory governments have supported grant recipients by providing speakers for training sessions, venues and, in some cases, additional small grants to boost funding.

The Export Market Development Grants scheme, administered by Austrade, is a financial assistance program for export-ready SMEs. It encourages businesses to increase international marketing and promotion expenditure to boost international sales.

### **Any other related matters**

The Department also supports SMEs through its economic diplomacy agenda, and engagement in the WTO, G20, APEC and OECD. Together, these efforts promote economic reform, open markets and a rules-based global economy.

A revamp of the economic diplomacy agenda announced in the 2017 Foreign Policy White Paper will seek to support better the competitiveness of Australian SMEs and other businesses; advance our commercial interests in overseas markets; and highlight Australia as a partner for trade, investment, education and tourism.











Recent multilateral successes include the WTO's Trade Facilitation Agreement (TFA), which entered into force on 22 February 2017 and aims to reduce administrative costs associated with exporting and importing. DFAT participates in the National Committee on Trade Facilitation, chaired by the Department of Home Affairs, a forum for government and industry stakeholders to discuss strategic issues relating to trade facilitation in the domestic and international trade environment, and implementation of the TFA.



Mindful of the number of SMEs engaged in e-commerce, Australia led (together with Japan and Singapore) the launch of an E-commerce Joint Initiative at the 11<sup>th</sup> WTO Ministerial Conference in December 2017, signed onto by 70 WTO Members (including the EU and the United States). Australia also supported further negotiations on an informal work program to promote participation by SMEs in the global economy.

On 16 March 2018, the Prime Minister announced the launch of the ASEAN-Australia Digital Trade Standards initiative. The initiative will provide a framework to support the development, adoption and use of international digital trade standards, helping SMEs to benefit from digital trade with the dynamic ASEAN region.

In APEC, Australia is working to reduce 'behind the border' costs in APEC economies and to help integrate SMEs into global value chains. The latter involves strengthening SMEs' export capabilities and capacity to internationalise business operations. Capacity building activities offered by APEC and supported by Australia help economies to develop and adopt policies that encourage SME firms to compete in international markets. In addition, APEC-sponsored business engagement events and workshops provide opportunities for SMEs to build networks and partnerships that facilitate trading across borders.

**Attachment A**

<b>Australia's concluded Free Trade Agreements</b>			
<b>FTA</b>	<b>Status - Entry-into-Force</b>	<b>Review body</b>	
 1. Australia-NZ (ANZCERTA or CER)	1 January 1983	<u>CER Ministerial Meeting</u> Annually or as agreed <i>Last met October 2016</i>	
 2. Singapore-Australia (SAFTA)	28 July 2003	<u>Ministerial review</u> Biennially or as agreed <i>Review entered into force on 1 December 17</i>	
 3. Australia-US (AUSFTA)	1 January 2005	<u>Joint Committee</u> Annually or as agreed <i>Last met May 2016</i>	
 4. Thailand-Australia (TAFTA)	1 January 2005	<u>FTA Joint Commission</u> As agreed by the parties <i>Last met June 2012</i>	
 5. Australia-Chile FTA	6 March 2009	<u>Joint FTA Committee</u> As agreed by the parties <i>Last met October 2014</i>	
 6. ASEAN-Australia-New Zealand (AANZFTA)	1 January 2010: Australia, New Zealand, Brunei, Malaysia, Myanmar, the Philippines, Singapore and Vietnam 12 March 2010: Thailand 1 January 2011: Laos 4 January 2011: Cambodia 10 January 2012: Indonesia	<u>FTA Joint Committee</u> As agreed by the parties <i>Last met April 2018</i>  <i>General Review commenced September 2017.</i>	
 7. Malaysia-Australia (MAFTA)	1 January 2013	<u>FTA Joint Commission</u> Annually or as agreed <i>Joint Trade Committee reviewed implementation in August 2014</i>	
 8. Korea-Australia FTA (KAFTA)	12 December 2014	<u>Joint Committee</u> Annually for three years after initial meeting <i>Last met November 2016</i>	
 9. Japan-Australia EPA (JAEPA)	15 January 2015	<u>Joint Committee</u> Annually or as agreed <i>Last met April 2017</i>	
 10. China-Australia FTA (ChAFTA)	20 December 2015	<u>Joint FTA Commission</u> Annually or as requested <i>Last met February 2017.</i>  <i>Review of services and investment chapters commenced October 2017.</i>	

Australia's concluded Free Trade Agreements		
FTA	Status - Entry-into-Force	Review body
 <p>Trans-Pacific Partnership (TPP) Comprehensive and Progressive Agreement on Trans-Pacific Partnership</p>	<p>Signed 4 February 2016 US withdrew on 30 January 2017 The TPP-11 was signed on 8 March 2018 in Santiago</p>	<p><u>Trans-Pacific Partnership Commission</u> Within one year after entry into force and as decided thereafter</p>
<p>Pacific Agreement on Closer Economic Relations (PACER Plus)</p>	<p>On 20 April 2017, 14 negotiating parties concluded negotiations. The Agreement was opened for signature in Nuku'alofa, Tonga on 14 June 2017. To date, 11 countries have signed.</p>	<p><u>Joint Committee</u> First meeting within one year after the date of entry into force and as decided thereafter, with a general review in three years from the date of entry into force</p>
 <p>Peru-Australia Free Trade Agreement (PAFTA)</p>	<p>PAFTA was signed on 12 February 2018.</p>	<p><u>Joint Commission</u> Within three years after the date of entry into force and at least every five years thereafter</p>

### **FTAs under negotiation:**

- Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA)
- Regional Comprehensive Economic Partnership (RCEP)
- Australia-India Comprehensive Economic Cooperation Agreement (CECA)
- Free Trade Agreement with Hong Kong
- Free Trade Agreement negotiations with the Pacific Alliance (Chile, Colombia, Mexico and Peru)

Australia is working towards commencing negotiations with the European Union (EU) on an EU-Australia FTA. Australia and the United Kingdom (UK) have both expressed a clear interest in concluding a comprehensive bilateral FTA, once the UK has exited the EU. Minister Ciobo visited the United Arab Emirates in January 2018 to advocate for a resumption of Australia-Gulf Cooperation Council (GCC) FTA negotiations.