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11 February 2020

Hon. Ted O'Brien MP
Chair of the Trade Subcommittee
Joint Standing Committee on Foreign Affairs, Defence and Trade
PO Box 6021
Parliament House
Canberra ACT 2600

Dear Mr O'Brien

RE: Inquiry into Australia activating greater trade and investment with Pacific island countries

Standards Australia welcomes this opportunity to provide a written submission to the *Standing Committee on Foreign Affairs, Defence and Trade - Trade Sub-committee* regarding trade and investment with Pacific island countries.

Summary of Key Points

- Standards can be used to leverage power and influence across a geo-strategic landscape.
- Up to 80% of trade is impacted by standards and related technical regulations.
- Standards development, adoption and implementation in the Pacific region is in its infancy, leaving countries outside of the rules-based international approach.
- There are opportunities to support the region through institutional strengthening and capacity building to equip Pacific island countries to join the rules-based order and be more active and engaged in standards development activities.
- Better harmonisation and use of standards in the Pacific region will reduce barriers to trade and help unlock mutually beneficial trade and investment opportunities for Pacific Island countries and Australia.

An Urgent and Compelling Policy Context

Australia continues to face a complex policy environment in the Indo-Pacific region where the strategies and goals of other nations compete with and challenge our own. Standards have traditionally sat outside of foreign affairs and defence policy-making. But with the breadth of national interests now affected by standards, and the increasingly politicised environment that surrounds these highly technical discussions, the topic is swiftly moving up the political agenda. Today, standards can be used to leverage power and influence across a geo-strategic landscape. Active, state-centric approaches threaten more inclusive stakeholder-led standards development. This has recently been brought into stark relief in key strategic sectors like emerging technology and critical minerals.

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Quality Infrastructure and Trade

The opportunities for trade and investment in the Pacific region are abundant, with potential benefits for Australia and Pacific island countries alike. With Australia's current trade heavily concentrated in the Asia Pacific region, Pacific island countries only account for approximately 4.89% of this trade.¹ To better realise the economic potential of the region and the opportunities that PACER Plus will bring, there is a need to build and enhance quality infrastructure across Pacific island countries. This is especially relevant for standards development, adoption and implementation, with the Organization for Economic Cooperation and Development (OECD) estimating that up to 80% of trade is impacted by standards and related technical regulations.

With under developed quality infrastructure and a low utilisation of standards, Pacific island countries face barriers when introducing local products like kava and virgin coconut oil into global trade. Standards would help reduce these barriers by setting benchmarks for local products in the Pacific to be exported to countries like Australia. Beyond niche local products, Pacific islands countries are interested in not only using International Standards but also Australian Standards for many industries, such as construction and electrical safety. Harmonising with the standards in use in Australia would equally make it easier for Australia to export its products and services across Pacific borders. Standards would help level the playing field and stimulate trade between all parties.

Across the majority of Pacific island countries, quality infrastructure in general and standards development in particular are in their infancy. Only three nations (Papua New Guinea, Fiji and Vanuatu) have internationally recognised National Standards Bodies. Strengthened standards development and implementation would not only improve health, safety and environmental outcomes for our Pacific neighbours but would also have significant benefits in facilitating market access, standards harmonisation, technical alignment and regulatory coherence. Technical barriers to trade can be reduced through a more sustained focus on strengthening standards and conformity assessment cooperation.

Recommendation 1

Standards should be front of mind as part of trade-related government initiatives (particularly under PACER Plus) as a tool to reduce barriers to trade in the Pacific.

Standards Australia's Role in Supporting Trade

Standards Australia is the National Standards Body for Australia. We are an independent, not-for-profit organisation and are the Australian member of the International Organization for Standardization (ISO), the International Electrotechnical Commission (IEC), and the Pacific Area Standards Congress (PASC). We also support the Australian Government through the APEC Sub-Committee on Standards and Conformance (APEC

¹ <https://dfat.gov.au/about-us/publications/trade-investment/trade-at-a-glance/trade-investment-at-a-glance-2019/Documents/trade-and-investment-at-a-glance-2019.pdf>

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SCSC) and the World Trade Organization (WTO). Standards Australia is committed to working with countries in the Asia Pacific to strengthen and harmonise standards, ultimately facilitating increased trade in the region.

Standards Australia is well placed - through a dedicated International Engagement Team - to assist developing countries in the region with their standardisation responsibilities. We are eager to enhance and accelerate this work to support further development of standardisation systems to ultimately stimulate greater trade in the region. We build on our long experience and proficiency in the business to help other National Standards Bodies deliver on obligations to the rules-based system, and operate effectively for their economies, reducing frictions and technical barriers to trade. For example:

- Working closely with partners, we facilitate and advise on trade agreements. We conduct research and provide recommendations for harmonisation of standards across industry sectors that support trade negotiations. A recent example is an early outcomes study for IA-CEPA (Indonesia-Australia Comprehensive Economic Partnership Agreement) highlighting areas of standards harmonisation and regulatory alignment.
- We assist counterpart National Standards Bodies to ensure they build and maintain strong and reliable national standardisation systems. This allows Australian businesses to trade with confidence and strengthen our regional economy.
- We carry out both bilateral and plurilateral work in the region, including needs assessments using international 'good standardisation practice' methodology, and structured, professional institutional strengthening and capacity building, based on skills and competency objectives for standardisers. The ASEAN-Australia Digital Trade Standardisation Initiative is an example of work lead by Standards Australia that supports National Standards Bodies and Australian foreign policy commitments.

Investing in institutional strengthening and capacity building efforts so that developing country National Standards Bodies can contribute to social progress and economic development through trade would be a mutually positive step forward for Australia and its neighbours in the region.

Recommendation 2

Standards Australia should be considered as a preferred partner for standards trade enabling and capacity building programs.

Pacific Quality Infrastructure Initiative

The need for strengthened Pacific quality infrastructure has recently been recognised across the region, marking an important window for action. A recent workshop convened by the Pacific Islands Forum Secretariat as part of their Pacific Quality Infrastructure Initiative resulted in a commitment to improve quality infrastructure and regional cooperation to enhance trade. The initiative aims to address the limited access to quality

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infrastructure and related services in the region, affecting Pacific island countries' economic competitiveness, safety of goods and services, and overall quality of life.

This forum was attended by representatives from Pacific government ministries, local businesses, chambers of commerce, quality infrastructure bodies, trade associations, and international partner agencies. All attendees committed to a Regional Quality Statement expressing "the strong potential of quality infrastructure to underpin the health, safety, wealth and sustainability of the Pacific Island economies and their people".

The statement also acknowledges the need for future work to improve quality infrastructure in the Pacific. Collaboration is needed to address the following challenges:

- Awareness of the quality infrastructure pillars and the understanding of their contribution to economic and social wellbeing, including health, safety, wealth and sustainability
- Availability of resources, both financial and human
- Development, adoption, and use of standards
- Cost of metrology, accreditation, and conformity assessment
- Understanding of quality infrastructure needs
- Quality promotion activities

However, this initiative remains in the early stages and no future work has yet been confirmed. There is an opportunity for Australia to support this initiative to help stimulate trade in the region.

Recommendation 3

The Australian Government should support the Pacific Quality Infrastructure Initiative and consider supporting other bilateral, regional and multilateral projects in the region related to quality infrastructure.

For further comment on the above, or on any of our work in facilitating trade and investment with Pacific island countries, please contact Senior International Engagement Manager, Pamela Tarif pamela.tarif@standards.org.au.

Yours sincerely



Adrian O'Connell
CEO