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Mr George Christensen
Chair
Joint Standing Committee on Trade and Investment Growth
PO Box 6021
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Dear Mr Christensen

Thank you for your letter dated 17 March 2020, inviting the Northern Territory Government to provide input into the Australian Parliament's Joint Standing Committee on Trade and Investment Growth Inquiry into Diversifying Australia's Trade and Investment Profile (the Inquiry). I also appreciate the granting of an extension to the timeframe for lodgement of input, given current circumstances around the COVID-19 crisis.

The impact of this crisis on the global economy, including trade and investment markets, is yet to be fully realised. However, it is becoming increasingly clear that trade and investment markets will shift, including structurally. As such, it is critical that current Inquiry considerations be contextualised in a post COVID-19 environment.

Over recent weeks, the state of global trade and investment markets have shifted at a speed and on a scale not imaginable prior to COVID-19. Global distribution and supply chains have been placed under imminent threat and economic uncertainty has significantly dampened foreign investment appetite.

There has been increasing commentary over recent weeks in respect of how the Australian economy might position itself to be less vulnerable to future shocks, with the following emerging themes:

- enhanced national productivity building capacity through value-added manufacturing and processing activities
- associated with the above point, re-assessing (and shortening) supply chains, to reduce transport cost and disruption risk, including through potential re-shoring of critical and competitive elements of industry supply chains
- improving sovereign capability, particularly in respect of essential supplies, including food, fuel and energy, and
- improving national safety and security, through both national population redistribution, and a renewed focus on geo-strategic and geo-political efforts, including defence infrastructure investment.

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The Northern Territory Government remains focused on progressing initiatives which ensure appropriate policy and regulatory settings facilitate necessary trade and direct foreign investment in support of much needed Northern Territory economic growth and diversification. In doing so, it remains cognisant of potential risks of over-reliance on international markets and is eager to continue to proactively engage with the Australian Government to fast-track the refreshed Northern Australia agenda to strengthen Australia's northern economy through growth and diversification, to create jobs and grow population. More specific but high level comments against the Terms of Reference are outlined in **Attachment A**.

The early impacts of COVID-19 are acute, with the recent announcement by Santos to defer its final investment decision on Darwin LNG expansion project because of economic uncertainty resulting from COVID-19 being just one example. For the Northern Territory economy to rebound in the post COVID-19 global environment, we recognise that we need to be internationally competitive, and quickly.

My Government looks forward to working with the Australian Government to advance our shared vision, harnessing the great potential of Northern Australia and building on the Northern Territory's unique and critical position.

Yours sincerely



MICHAEL GUNNER

24 APR 2020

ATTACHMENT A

Inquiry Terms of Reference specific considerations The Northern Territory's historic and anticipated future trade and investment profile

For the purposes of this submission, the Northern Territory (the Territory) has grouped issues posed in the Terms of Reference into three broad sections as outlined below.

The impact of the COVID-19 crisis on the global economy, including trade and investment markets, is yet to be fully realised. However, it is becoming increasingly clear that trade and investment markets will shift, including structurally, and current Inquiry considerations and outcomes will need to be contextualised in a post COVID-19 environment:

(a) Exports, excessive reliance on any one market and diversification

As a small open economy with a low resident population base and limited local markets, the Territory relies heavily on trade and investment, both domestic and foreign.

Over the past five years, our international exports on average, contributed to about 24 per cent of Territory GSP, on par with the national average. The Territory is also heavily reliant on interstate markets for sale of its horticultural and fisheries produce, and to source consumables and intermediate inputs.

In 2018-19, the Territory's two-way international trade (export and import of goods and services) was valued around \$11.2 billion, with exports comprising the majority of the total international trade. Asia remains our main trade region, constituting 90 per cent of our two-way trade.

The Territory is not immune to external shocks and recent global events testify to their considerable economic and social consequences. For this reason, the Territory will continue to pursue economic diversification efforts, in terms of both industry sectors and trade partners, adapting as necessary to the COVID-19 impacts.

While the Territory's international export markets are relatively diverse, there are a number of markets that we are particularly reliant on. This points to the need for Northern Territory Government efforts to remain focused on projects and infrastructure to support increased depth and diversity of Northern Australia exports.

Our approach is outlined in the Northern Territory Government's key economic policy initiative, the *Economic Development Framework* (EDF) which was rolled out in 2017. The EDF identified five growth sectors: Agribusiness; Tourism; Defence and support industries; Energy (oil and gas) and minerals; and International education and training to underpin the Territory's economic growth, provide key sources of private sector investment, and job creation and retention.

In addition to the five growth sectors, the EDF also identified a second group of five 'developing' sectors: Tropical health and research; Creative industries; Renewable energy; Environmental services; and Human services, which have the potential to provide significant growth opportunities to further diversify the economy, expand investment and trade, and create jobs.

The EDF is dynamic and action focused. It is currently being refreshed and expanded to incorporate new opportunities, including in the renewables, space and waste sectors. The refresh will recognise the challenges and opportunities arising from the COVID-19 crisis, to ensure alignment of the Territory and national policy agendas and opportunities for the Territory to support the national recovery effort are optimised.

In July 2018, Northern Territory Airports announced its Export Hub initiative. The Export Hub is co-funded with a \$4.8 million grant from the Australian Government's Building Better Regions Fund, and is designed to assist Territory businesses to export directly from Darwin to high value markets, shorten the supply chain to market and improve export performance.

(b) Free trade agreements and market concentration

Current free trade agreements (FTAs) provide Territory businesses with a platform to engage foreign markets and improve access to a wider range of products.

The Northern Territory Government leverages FTAs to diversify and grow trade, noting the continued need to promote these opportunities to small and medium sized businesses. The Northern Territory Government will also continue to work with Austrade on outreach activities in this area.

Noting that the direct impact of the COVID-19 crisis is yet to fully work through markets, two anticipated FTAs, the Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA) and the Regional Comprehensive Economic Partnership (RCEP) present further potential for greater trade and investment opportunities. These should improve access, reduce trade barriers, and encourage improved commercial partnerships. The RCEP, with 16 participating countries representing almost half the world's population and about 30 per cent of global gross domestic product, has the potential to open up considerable opportunities for Territory businesses.

Although there is no clear evidence of concentrated export markets in the Territory resulting from FTAs, more bilateral and regional FTAs could minimise the risk of concentrated markets. We note that the Australian Government's current policy is for FTAs to cover 90 per cent of Australia's two-way trade by 2022, but appreciate that this may be reviewed in light of the current global economic crisis. The Northern Territory Government will continue to advocate the Territory's interests in Australia's efforts to develop new bilateral and regional FTAs, and to liberalise trade to an appropriate level through multilateral trade agreements.

(c) Reliance on foreign investment

The Territory, like the rest of Australia, has relied heavily on private investment for capital and jobs creation. This is largely due to our small population size, economic maturity and demographic characteristics.

Historically, the Territory's economic growth has been driven by a succession of major resource based projects, underpinned by direct foreign investment, which in turn has opened up economic opportunities. Large projects in smaller economies, while very much welcomed, result in fluctuations in capital flows and volatility in economic growth rates concentrated in particular parts of project lifecycles. Peaks and troughs in economic activity are pronounced and can have significant adverse economic, social and financial repercussions if not actively and astutely managed.

The Northern Territory Government continues to welcome and rely heavily on foreign investment given limited avenues of domestic financial investment. As outlined above, we will continue to ambitiously and aggressively pursue private investment, whether domestic or foreign, in a manner which recognises the strong economic benefits of doing so but with an eye to ensuring appropriate strategies are deployed mitigate potential undesirable consequences.