Northern Territory Government Submission to the

Commonwealth Parliament's Joint Standing Committee on

Trade and Investment Growth –

New inquiry into the trade system and the digital economy

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Executive Summary

The Northern Territory is an internationally-focussed, export-oriented economy that relies heavily on inward investment and close engagement with international markets. The Territory's exports are growing and diversifying, while imports of goods and services provide vital business inputs.

He Territory has a small population spread over a large geography and as such the digital economy is critical to the way Territory business operates and undertakes trade. As recent Austrade analysis by Mark Thirlwell[1] shows, however, Australia is only mid-ranking within OECD economies for digital adoption by business and is ranked the lower half for web presence.

Mark Thirlwell says:

> These numbers suggest that while Australian businesses are taking advantage of the digital economy, the rate of adoption is perhaps not yet as widespread as might be assumed based purely on some of the breathless talk about the rise of e-commerce and a new digital era. In turn, this implies that the distance-reducing impact of the internet is currently only at work for some Australian firms, and not for all.

While the digital status of Northern Territory business is not known with any precision, it is expected that at best they will be at, or be below the average for Australia. The make-up of Northern Territory business by number – 95.2% micro and small businesses – would suggest that many of these (a) have a limited digital presence and (b) are not exporters at this stage.

That said, some are active exporters of goods and services, while many NT businesses are known to be active importers.

Connectivity is also an area of ongoing concern to those living in the Territory. With large farming, mining and tourism businesses operating in distant and often remote locales it is essential that they can both communicate and interact with their customers through the digital economy and without the large support networks that exist in large companies located in cities it is important that they have the confidence in the digital trading system to enable them to maximise business opportunities.

Recognising this, the Charles Darwin University has announced the appointment of an Associate Professor of cyber security and has entered into a $700,000 five-year agreement with the Northern Territory Government to look at ways to address the growing demand for cyber security literacy. This will enable Charles Darwin University to delve more deeply into cyberspace and offer three new high-tech courses that would provide a solid understanding of the concepts and practices to identify and resolve information security challenges on computer systems and networks.

This initiative will enhance CDU's ability to carry out research in cyber security, improve capacity to provide advice to government and local businesses and improve the skill-base in the Northern Territory given that the imperative to develop resilience against ever more sophisticated cyber threats had never been greater.

Submission

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[1] Mark Thirlwell, *E-commerce and Australian business*, Austrade, 20 September 2017 https://www.austrade.gov.au/news/economic-analysis/e-commerce-and-australian-business accessed 10 October 2017

The Northern Territory Government is developing a Digital Territory Strategy in close consultation with business and the community. The strategy will provide the framework to establish the Territory as an active participant in the global digital economy. Business and community requirements will drive the use of digital technologies, with government having a strong supporting role. Digital technology and capability can enable new ways of doing business; provide possibilities to re-think traditional models; open up access; and establish completely new connections. A key driver is to enable greater digital connectivity and take-up by business and improve access to markets.

The Digital Territory Strategy will link with the digital elements of other NT Government strategies including the Economic Development Framework and the NT Business Innovation Strategy. It will also be important in delivering on the priorities of the International Engagement, Trade and Investment Strategic Plan, to be released shortly. All of these initiatives are central to business facilitation in the Territory.

The effectiveness of the Digital Territory Strategy will be enhanced by the digital engagement strategies of the Australian Government, including:

- digital interfacing with business to make it easier for businesses to access government information and services;
- inclusion of e-commerce as a key feature of future trade agreements and as core to overall trade architecture;
- awareness-raising, capacity-building and support for business to engage in international trade through e-commerce; and
- capacity-building of developing country trade partners to build their ability to support and participate in international e-commerce.

The National Business Simplification Initiative (NBSI) between the Commonwealth, States and Territories has two elements:

1. Better regulation – tackling the burden of unnecessary regulation, particularly where there is duplication across governments; and
2. Better Business Services – making it easier and convenient for businesses to access government information and services.

The ability for business to engage digitally with government is a key to enabling easier engagement with two-way trade, for example: to obtain information on opportunities; to obtain the required permits; to warrant required standards; and to confirm country of origin. While government has made creditable inroads to streamlining such processes, further digital access to such services and certification will make doing business though trade easier.

Turning to Australia's trade architecture, two agreements that are currently under negotiation with Asian economies are will include significant content on e-commerce. The Northern Territory has a keen interest in both agreements, being located on the doorstep of Asia

In input to the shape of the [Indonesia Australia Comprehensive Economic Partnership Agreement](#) (IA-CEPA), business groups from both nations have emphasised the importance of enabling e-commerce. Business has advocated e-commerce liberalisation and facilitation as being a central feature of the IA-CEPA. Trade Ministers from Indonesia and Australia have enthusiastically endorsed

this call. The IA-CEPA will also include a chapter on 'economic cooperation' which will focus on building capacity of Indonesia to trade with Australia, and to a lesser extent the capacity of Australian business to trade with Indonesia. E-commerce is likely to feature in the

E-commerce also features in the [Regional Comprehensive Economic Partnership](#) (RCEP), between 16 ASEAN and ASEAN's free trade agreement partners. Like IA-CEPA, RCEP includes a chapter on economic cooperation, focused on capacity-building between developed and developing economies.

Engagement of Australian (including NT) business in taking advantage of new trade agreements has been patchy, albeit with some highlights of success. The ASEAN-Australia-New Zealand Free Trade Agreement, Korea-Australia Free Trade Agreement, Japan-Australia Economic Partnership Agreement and China-Australia Free Trade Agreement all offer great opportunities for business, but many have still to take advantage of them. A large part of the problem is complexity and inconsistency between agreements, leading to the so-called 'noodle bowl' problem, which is confusing and complicated for business. The RCEP, when it is concluded, will help to overcome this issue for trade with ASEAN and its partners.

Also needed is a more effective digital portal for businesses that can help them understand and comply with varying requirements for tariffs, permitting, investment and labour market rules.

Another reason for low levels of trade engagement by some business is lack of capacity to take the leap to export. In part, this is due to the small scale of many businesses. Even for larger businesses, however, international trade and investment is difficult and many lack the information even to start.

Austrade has implemented a program of business education, and the Northern Territory Government's Trade Support Scheme also assists exporters and potential exporters, plus importers, to understand trade opportunities and processes. Engagement of businesses digitally offers the opportunity to engage with more, more effectively. Specific education on e-commerce will better enable businesses to engage in trade through these fast developing platforms.

Additionally many developing countries lack capacity and have restrictive regulation on digital commerce. That not only inhibits engagement of their businesses with Australia, but also restricts opportunities for Australian businesses to engage in e-commerce with those economies. New trade agreements such as IA-CEPA and RCEP need to place a high priority on e-commerce capacity-building and lowering of barriers within Australia's trade partners.

The Northern Territory Government also believes that it is important to adopt more consistent, and simpler, sets of messages for company directors and managers about the cyber security practices and governance measures they must apply to protect their businesses, their customers information and their intellectual property and that these requirements should be as important to business as meeting their financial, employment and consumer obligations.

It is also necessary to enable a trusted identity framework for businesses, their suppliers and their customers so as to allow simple and secure exchange of funds and services and we also see a need to develop strategies designed to support the inevitable adoption of crypto currencies and other block chain services that can assist in reducing the costs and risks associated in trading with overseas suppliers and customers.