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FOURTH NATIONAL TRADE SURVEY REPORT 2018

AUSTRALIAN CHAMBER
OF COMMERCE
AND INDUSTRY



Australian
Chamber of Commerce
and Industry

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The Australian Chamber is Australia's largest and most representative business network. Our members are state and territory chambers of commerce, national industry associations and a council of business leaders from individual enterprises. Together, we speak for over 300,000 businesses employing millions of Australians in every sector of the economy.

Acknowledgements



This report was produced in partnership with the University of South Australia's Australian Centre for Asian Business (ACAB).

The ACAB is a community of leading academics in the fields of Business, Commerce, Law, Management and Marketing dedicated to producing high-quality research on Asian business, and broadening the Australian understanding of the Asian business environment.

The Australian Chamber of Commerce and Industry (ICCI) wishes to thank the research team which was led by Professor Susan Freeman, Associate Director, ACAB, University of South Australia and included Dr Wahid Murad, University of South Australia and Yuwen Gu, Australian National University.

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FOREWORD

On behalf of the Australian Chamber of Commerce and Industry, Australia's largest and most representative business network, I am pleased to introduce the Fourth Australian Chamber of Commerce and Industry National Trade Survey report.

The Fourth National Trade Survey, conducted in partnership with the University of South Australia's Australian Centre for Asian Business, aims to gauge the attitudes and challenges faced by Australian businesses in the international market, and is supported by the qualitative insights from over 200 Australian businesses.

The report is comparative with analysis covering the years 2013-2018.

Australia's role as a trade and investment partner to some of the world's largest economies has allowed us to create jobs, wealth and opportunities for many Australian businesses.

In an era of unparalleled globalisation and technological advancement, other developed nations have begun adapting their policy settings to better place business to compete in international markets.

If Australia does not do the same, we will get left behind. It is important that we put in place the right policies to help Australian businesses create and sustain jobs, and provide competitively priced goods and services.

The Fourth National Trade Survey identifies the key opportunities and barriers Australian businesses are facing, including understanding and utilisation of free trade agreements, high domestic costs and red tape, engagement in emerging markets, access to trade finance and utilisation and support of trade initiatives.

In highlighting these key issues, we hope this report sparks a national discussion on the domestic reforms needed to ensure Australian businesses remain internationally competitive and acts as an impetus for change. Head to our website www.australianchamber.com.au to read the full report.



A large, stylized handwritten signature in black ink, which appears to read 'James Pearson'.

JAMES PEARSON

Chief Executive Officer

Australian Chamber of Commerce and Industry

KEY FINDINGS:

Trade partner relations

- China dominates our trade relationships but the other key markets are broadly advanced economies. We need to ensure that business is skilled and confident to reach out to other emerging markets around the world.

Red tape

- Australian businesses struggle to be globally competitive in the face of continuing high domestic costs and red tape.

Utilisation of Support Initiatives

- Government export support and incentives are welcome but could be delivered in a more efficient and effective way if Government and industry worked more closely together.

Trade Finance

- Business continue to struggle to secure appropriate financing to support their export expansion. More needs to be done to simplify trade finance and to ease its availability.

Trade Agreements – Understanding and Utilisation

- Businesses continue to lack understanding of trade agreements and their aggregate complexity is a barrier to utilisation.
- Business is seeking more information about trading and trade agreements. Governments can assist with greater financial and informational support

EXECUTIVE SUMMARY

This report presents the results and findings of the **2018 (Fourth) Australian Chamber of Commerce and Industry (ACCI) National Trade Survey**. The 2018 ACCI Report aims to understand the attitudes of Australian businesses on the issues and challenges facing international traders. The Report is supported by qualitative insights. This is a comparative trade report with analysis over the following years: 2013-2018.

It's all about China, then NZ, USA, Singapore

The 2016 National Trade Survey Report showed that nearly 60 per cent of Australian firms were currently trading with China. Larger firms favoured trade with a wider range of Asian emerging (frontier) markets (e.g. China, Indonesia, India) than small and medium enterprises (SMEs). In contrast, SMEs focused on one major frontier market, China and then relied on advanced markets (e.g. the USA, New Zealand, and Singapore). The 2016 Report highlighted that as advanced markets were considered to be more competitive and offering less growth potential, we needed to encourage more Australian SMEs to trade with other Asian emerging or frontier markets where the real growth potential is more apparent.

The **2018** National Trade Survey Report highlights a dramatically more globally competitive environment across all market types, namely emerging (frontier) markets and advanced markets. There are some distinct differences evident in the 2018 Report, providing a more concerning picture of the level and nature of competition, at home and internationally facing Australian exporters, including large enterprises and SMEs. In addition, increased perceptions of an inability to develop new products by all firms, for products and services, in the face of this rising tide of competition, is having different impacts on *where* large and SMEs are focusing their efforts, posing different strategic implications for the future. Significantly, in 2018, international product development is now the top trade issue (77.78%) for all Australian businesses, in contrast to the overall level of international competitiveness in the years 2014, 2015 and 2016.

Size matters

In particular, bilateral trade by country destination has changed considerably since the last report. The 2018 results reveal that the highest proportion of respondents overall, i.e. 61%, currently trade with China (see Table 1.5). This is a considerable rise from the previous report. The second highest (49%) trading partner destination of all Australian businesses for 2018, was New Zealand, followed very closely by the United States of America (USA) (47.5%) and Singapore (46.5%). Thus, revealing a growing reliance on advanced over more diverse emerging (frontier) markets. Regarding bilateral trade across business sizes, the majority of all firm stated China as the most commonly engaged market, especially large firms (81.5%). Unlike SMEs, larger firms reported more experience and resources to deal with increasing levels of global competition, in contrast to smaller, less experienced and resource poor firms, highlighted in our qualitative findings.

While the 2018 Report emphasizes the increasing reliance on China as a destination for bilateral trade, similar to the 2016 results, it is different from previous reports. It is important to highlight it contrasts with the 2015 results, as most large firms surveyed indicated that Indonesia (80%) was the country they interacted with the most (see Table 1.4).

In 2018, small firms' top three trading countries include China (47%), the USA (38%) and Singapore (35%), highlighting increased reliance on China, where competition is at its greatest, and less diversity in destinations, given the greater focus on advanced rather than other emerging markets, with greater growth potential.

Medium businesses stated China (78%), New Zealand (63%), Singapore and the USA (58%) equally, revealing an even greater reliance on China, but with more regional focus on Asia, than small firms.

Large businesses reported China and New Zealand (81.5%) equally, followed by Singapore (67%), Taiwan and the USA (63%) equally. Larger firms have the greatest reliance on China, while at the same time, New Zealand, our smaller but vibrant near neighbour. Large firms show significantly higher levels of destination diversity with their trade, including Singapore and Taiwan, and thus stronger regional engagement, than their smaller counterparts.

However, it is important to also highlight that the USA is still a significant market destination for larger firms, twice as likely than small firms, and slightly higher than for medium sized firms. Such results suggest that across all firm sizes, Australian businesses favoured trade with four top countries including China, Singapore, Taiwan, New Zealand, and the USA. However, the diversity of markets is reducing for SMEs, and the reliance on China, has increased for all.

“China’s the one for us because that’s the biggest market for us, so that’s where we concentrate, it’s a growing market, disposable income (going through the roof?), at the moment it’s [tariffs] 2.5% and will be at zero January 1, so we’re conscious of that and so’s our customers there.”

- Firm A, a large agricultural manufacturer

Thus, in summary, the 2018 results show that while China is clearly a dominant destination for all firms, SMEs favour advanced and culturally similar markets such as New Zealand, Singapore and the USA, except for China. Large businesses, on the other hand, except for China, which is now more favoured, have moved away from the more unfamiliar, and thus more difficult and psychically distant, emerging (frontier) markets such as Indonesia, India and the United Arab Emirates which were strongly favoured in 2016, to focus more on the culturally similar advanced markets in the 2018 Report.

Competitiveness challenges

While the picture on trade destination focus in 2018 shows these differing trends, when linked to important trade issues being reported by Australian exporters, a more concerning element, related to international competitiveness emerges. Respondents were asked to rate their level of concern regarding a wide range of trade issues they experienced in 2018. If we look at the overall situation, of the top five trade issues for *goods and services* businesses, there are significant changes reported in 2018 that differ from earlier reports in years 2014, 2015 and 2016 (see Table 3.3). Specifically, in 2018, international product development is now regarded as the top trade issue (78%) for all Australian businesses. This emphasis stands in contrast to reported overall “international competitiveness” in years 2014, 2015 and 2016. Whilst “red tape” and “exchange rate” were two out of the top three trade issues reported in 2014, 2015 and 2016, these issues have been replaced by “the ability to service international markets” (78%) and “international competitiveness” (70%) in 2018. What is emerging then, is not only increased issues of international competitive pressures, but uncertainties of being able to offer and deliver international product development in the face of perceived rising global competition.

Thus, across all categories of firms, the 2018 results indicate the lack of diversity in trade destinations, with China an increasing destination, yet less diversity across other rapidly growing emerging (frontier) market destinations in Asia, for both goods and services trade. In addition, the three main trade concerns include “red tape” (37%), “overall international competitiveness” (36%) and “a high exchange rate” (34%).

“Our competitive advantage is our supply chain, which is quite unique in our production region.... We’re lucky enough to source live stock in the Channel Country, which is one of the most unique production routes in the world.”

- Firm B, A small agricultural manufacturer

Trade support services need improvement

Respondents in 2018 were again asked to rate their experiences of dealing with various forms of trade administrative issues. The most positive experience overall related to trade agreements certificates of origin (2.81 out of 4.00) and non-preferential certificates of origin (2.61 out of 4.00) (see Table 4.1). But in 2016, the most positive experience overall related to Incoterms 2010, with a mean value of 2.71 (out of 4.0) and over 60 per cent of businesses stated it is either 'excellent' or 'good'. This was followed by non-preferential certificates of origin, with a mean value of 2.69 out of 4.00 and trade agreements certificates of origin, with a mean value of 2.61 out of 4.00. In 2018, the most negatively ranked administrative issue was Department of Agriculture (AQIS) certificates (1.18 out of 4.00) followed by non-tariff barriers (1.36 out of 4.00). Compared with the 2014, 2015 and 2016 results, Incoterms 2010 moved down two places, between less than "good" and higher than "poor" experience. Most notably, despite the ranking of all listed issues, except for trade agreements certificates of origin, the mean values of all listed issues of 2018 were lower than those of 2014, 2015 and 2016. This suggests that the quality of *all administrative issues need to be improved* in order to enhance business satisfaction.

Regarding the utilisation of support initiatives, Australian businesses continue report that they rarely use them. Specifically, survey respondents were asked about the frequency they used various trade support initiatives. These initiatives included the Export Finance and Insurance Corporation (EFIC), Export Market Development Grant (EMDG), Austrade, State Government Trade Promotion Agency, and Chambers of Commerce or Industry Associations. Similar to the 2014, 2015 and 2016 results, overall, the majority of businesses stated that they 'rarely' or 'never' used such services (see Table 5.2). For example, 68% of businesses never used EFIC and 52% of businesses had never used state government trade promotion agencies. Alarming, the usage of all support initiatives decreased in 2018 compared to 2016, 2015 and 2014 (see Table 5.1). Interestingly, similar to the finding in 2016, Chambers of Commerce and Industry Associations received the highest utilisation rate in 2018 (24%). Whilst large firms utilised Chamber of Commerce or Industry Associations more than SMEs, specifically, small sized firms utilised EFIC less than medium firms. However, large sized firms reported they never utilised EFIC (see Table 5.5). Specifically, SMEs are the most vulnerable, yet least served by these trade support initiatives as reported again in the 2018 survey.

Better experience with intermediary services

By contrast, Australian firms engaged in international business normally interact with a wide range of intermediaries such as Australian Immigration, courier companies, Australian Customs, Australia Post, and shipping and logistics companies. As such, businesses were asked to rate their experience with these five intermediaries. Overall, Australian Immigration was rated the highest with a mean value of 2.80 (out of 4.00) (see Table 6.1) and nearly three quarters of respondents (70%) stated their experience with shipping and logistics companies to be either 'good' or 'excellent' (see Table 6.2). This was followed by courier companies with a mean value of 2.73 and 66% of businesses rated this intermediary to be either 'good' or 'excellent'. The 2018 results are mostly in line with the 2014, 2015 and 2016 where shipping and logistics companies and Australian Customs were ranked the highest and second highest, respectively. However, in 2018, the intermediary to receive the lowest rating was shipping and logistic companies with a lowest mean value of 1.8.

"I think the best way they can assist is reducing red tape, and even that red tape through Customs. I mean sometimes we have stuff that gets stuck in Customs because of staff. And people tick the wrong box when it's being dispatched and so it just sits there for a couple of days and then the local Customs will threaten to send the goods back because a particular duty hasn't been paid and these sort of red tape issues that get in the way of doing quick business, you know. But other than that, I think that's what the government should focus on just reducing red tape."

- Firm F, a small high-tech equipment manufacturer - mining sector

Trade finance needs work

Trade finance continues to be a difficulty for many firms. Businesses were asked to rate the level of difficulties they experienced when accessing trade finance. The 2018 results show that 26.5% of all businesses experienced difficulties (combined 'difficult' and 'very difficult' categories) in accessing trade finance (see Table 8.1). However, while about 31% of small businesses stated they experienced such difficulties, the number for large firms was only 14% and for medium firms was more than 23%. This suggests that firm size is negatively correlated with difficulties in accessing trade finance. This is emphasized strongly in the qualitative findings.

"...I have problems being a small exporter finance wise... I have to finance my own exports and that can be difficult when you're exporting ten containers of (product) in one shipment... It can be \$30,000 and that is difficult for a small company if you don't have a financial, like even an overdraft. You'd have to be showing a balance sheet with a huge profit like half a million dollars before they'll even look at you which is disappointing. Especially when you know that you've got the assets but they won't look at those which is a pity."

- Firm K, A small agriculture manufacturer

Business still don't Understand and Utilise Trade Agreements

Understanding and utilisation of trade agreements continues to be problematic apart from the China-Australia Free Trade Agreement (FTA). This is confirmed in the qualitative findings. Businesses were asked about their understanding and utilisation of a list of general FTAs. The results show that the majority of businesses stated that these FTAs are not relevant to them (see Table 9.1). The least relevant FTAs identified by the businesses are Peru-Australia FTA (64%), Australia-Chile FTA (60.5%) and Pacific Agreement on Closer Economic Relations (PACER) (51%).

A significantly large number of businesses do *not understand or use FTAs*. Business' understanding and use of general trade and FTAs ranged from 2.5% for Peru-Australia FTA to 34% for the China-Australia FTA. Interestingly, the figure for businesses understanding of general trade and FTAs but don't use them ranged from 5.9% for the Peru-Australia FTA to 15% for the Japan-Australia FTAs. Most notably, the highest rate of both understanding and use was 34% for the China-Australia FTA. It was also the most well understood agreement reported in the 2018 survey with a result of 41%. This was followed by the ASEAN-Australia-New Zealand FTA (39%) and the Australia-United States FTA (37%).

"...I'm not savvy on Foreign Trade Agreements so there's too many of them... I've tried to read about them... Via news portals, via government websites, but none of the information really sinks in. I don't really understand what it means for my industry or know the business that I work in so I've just sort of ignored them. I haven't really paid much attention to them."

- Firm K, A small agriculture manufacturer

Crime and corruption lower

On a more positive note, businesses were asked about the frequencies of problems they encountered in international business transactions, including corruption, piracy, counterfeiting, commercial disputes, difficulty enforcing contracts and non-tariff measures. Overall, the majority of businesses stated they 'rarely' or 'never' encountered such problems (see Table 7.2). However, corruption, counterfeiting and difficulty enforcing contracts were equally considered the most frequently cited experience, with 28% of businesses experiencing these problems 'always', 'often' or 'sometimes'.

Where to next?

Respondents were asked to provide their opinion on the government's priorities of future trade agreements. Overall, the Australia-India Comprehensive Economic Cooperation Agreement received the highest priority (40% of respondents across all cohorts) (see Table 9.9). This was followed by the European Union (37%). The least priority was given to both Africa and South America (7.5%), yet the qualitative findings emphasize greater interest. The results diverged according to firm size.

Despite low understanding and utilisation rates, when asked to state their preferred type of agreement that the Australian Government should focus its efforts on, more than three-quarters (76%) of all businesses mentioned FTAs as their most favoured option (see Table 9.10). This is consistent for all firm sizes. Specifically, for small sized businesses, double taxation agreements and investment protection agreements were the second and third most emphasized, respectively (17% and 12%). However, large firms were more interested in investment protection agreements (8%) than in double taxation agreements. Finally, medium sized businesses prefer both investment protection agreements and double taxation agreements equally, rated at 5%.

Business want more information

Chambers of Commerce and Industry Associations provide a wide range of trade related services to Australian businesses, of all sizes. Respondents were asked to rate their level of understanding of trade services offered by these organisations. Overall, nearly a half of respondents (48%) stated they did not understand these services well (see Table 10.1). However, differences emerged when comparing the results across firm sizes. Whilst three quarters of large firms (75%) understood 'well' and 'very well' these services, SMEs have relatively lower understanding of these services with 50% of small firms and 49% of medium firms stating they understood 'well' and 'very well'. Thus, the major concerns relate to lack of understanding of trade services offered by these organisation for SMEs.

However, the proportion of 'unsatisfied' has increased slightly from those reported in the previous 2016 survey (4%). Across business sizes, 21% of small firms and 27% of medium firms did not deal with the Chambers of Commerce and Industry Associations for services. These numbers have decreased from the results of 2016, whereby the number of small firm and large firms was 49% and 43.5%, respectively. Similarly, the number for large firms, which did not deal with the Chambers of Commerce and Industry Associations for services, has fallen from one-quarter (25%) in 2016 to only 8% in 2018. The qualitative findings confirm and strongly emphasise the survey results.

Finally, survey respondents were asked about their top five areas of interest in which the Chambers of Commerce and Industry Associations should provide more assistance and information. Small sized firms expressed their highest interest in exporting (57.5%) followed by FTAs (54.5%) (see Table 10.3). Both medium and large sized firms expressed their highest interest in FTAs (73% and 67%, respectively) followed by exporting (66% and 67%, respectively). Interestingly, firms across all sizes considered the trade documentation and certificates of origin as the third top area of interest. Thus, more focused, specialised and informed training is needed, recognising the differences in how that training needs to be delivered given the demands placed on SMEs compared to larger firms in terms of resources. The qualitative findings highlight this last point and emphasis the problems different firm sizes face and why, regarding accessing suitable training.

INTRODUCTION:

In the **2016** ACCI Report, the survey highlighted that nearly 60 per cent of Australian firms were currently trading with China. Larger firms favoured trade with a wider range of Asian emerging (frontier) markets (e.g. China, Indonesia, India) than small and medium enterprises (SMEs). In contrast, SMEs focused on one major frontier market, China and then relied on advanced markets (e.g. the USA, New Zealand, Singapore). It was highlighted in the 2016 Report, that as advanced markets were considered to be more competitive and offering less growth potential, we needed to encourage more Australian SMEs to trade with other Asian emerging or frontier markets where the real growth potential is more apparent.

However, in the **2018** ACCI Report, the survey highlights a dramatically more globally competitive environment across all market types, namely emerging (frontier) markets and advanced markets. There are some distinct differences evident in the 2018 Report, providing a more concerning picture of the level and nature of competition, at home and internationally, facing Australian exporters, including large and SMEs. In addition, increased perceptions of an inability to develop new products by all firms, for products and services, in the face of this rising tide of competition, is having different impacts on *where* large and SMEs are focusing their efforts, posing different strategic implications for the future. Significantly, in 2018, international product development is now the top trade issue (77.78%) for all Australian businesses, in contrast to the overall level of international competitiveness in the years 2014, 2015 and 2016.

Bilateral Trade by Country

In particular, bilateral trade by country destination has changed considerably since the last report. The 2018 results reveal that the highest proportion of respondents overall, i.e. 61.11%, currently trade with China (see Table 1.5). This is a considerable rise from the previous report. The second highest (48.99%) trading partner destination of all Australian businesses for 2018, includes New Zealand followed very closely by the United States of America (USA) (47.47%) and Singapore (46.46%). Thus, a growing reliance on advanced over more diverse emerging (frontier) markets. Regarding bilateral trade across business sizes, the majority of all firm stated China as the most commonly engaged market, especially large firms (81.48%). Unlike SMEs, larger firms reported more experience and resources to deal with increasing levels of global competition, in contrast to smaller, less experienced and resource poor firms, highlighted in our qualitative findings.

While the 2018 Report emphasizes the increasing reliance on China as a destination for bilateral trade, similar to the 2016 results, it is different from previous reports. It is important to highlight it contrasts with the 2015 results, as most large firms surveyed indicated that Indonesia (80.00%) was the country they interacted with the most (see Table 1.4). In 2018, small firms' top three trading countries include China (46.85%), the USA (37.84%) and Singapore (35.14%), highlighting increased reliance on China, where competition is at its greatest, and less diversity in destinations, given the greater focus on advanced rather than other emerging markets, with greater growth potential. Medium businesses stated China (78.33%), New Zealand (63.33%) and Singapore and the USA (58.33) equally, revealing an even greater reliance on China, but with more regional focus on Asia, than small firms. Large businesses reported China and New Zealand (81.48%) equally, followed by Singapore (66.67%) and Taiwan and the USA (62.96%) equally. Larger firms have the greatest reliance on China, while at the same time, New Zealand, our smaller but vibrant near neighbour, but also show significantly higher levels of destination diversity with their trade, including Singapore and Taiwan, and thus a stronger regional engagement, than their smaller counterparts. However, it is important to also highlight that the USA is still a significant markets destination for larger firms, and twice as likely than small firms, and slightly higher than for medium sized firms. Such results suggest that across all firm sizes Australian businesses favoured trade with four top countries including China, Singapore, Taiwan, New Zealand,

and the USA. However, the diversity of markets is reducing for SMEs, and the reliance on China, has increased for all.

Thus, in summary, the 2018 results show that while China is clearly a dominant destination for all firms, SMEs favour advanced and culturally similar markets such as New Zealand, Singapore and the USA, except for China. Large businesses, on the other hand, except for China, which is now more favoured, have moved away from the more unfamiliar, and thus more difficult and psychically distant, emerging (frontier) markets such as Indonesia, India and the United Arab Emirates which were strongly favoured in 2016, to focus more on the culturally similar advanced markets in the 2018 Report.

Important Trade Issues

While the picture on trade destination focus in 2018 shows these differing trends, when linked to important trade issues being reported by Australian exporters, a more concerning element, related to international competitiveness emerges. Respondents were asked to rate their level of concern regarding a wide range of trade issues for *goods* they experienced in 2018. The 2018 results are then compared with those for 2014, 2015 and 2016 reports. Notably, international competitiveness and a high exchange rate have remained the two main trade issues for *goods* over the years from 2014 to 2018. Specifically, for 2018, however, a new set of trends is apparent. For 2018, international competitiveness, a high exchange rate and tariffs applied to exports are the top three trade issues for businesses (see Table 3.1). Over three quarters (78.66%) of businesses stated overall international competitiveness to be either a major or moderate concern. As many as 71.91% of those surveyed noted a high exchange rate and 67.42% reported tariffs applied to exports of *goods* as the second and third impediments to trade. The top five trade issues for *goods* in the period of 2014-2018 are listed in Table 3.1, providing a picture of increasing concerns around overall international competitiveness for all businesses over the time-period of the four trade reports (2014-2018).

For *services* there is a slightly different emphasis from *goods*, regarding respondents' concerns across a wide range of issues for *services* in 2018. This emphasis in the 2018 results is also slightly different again, when compared with those for 2014, 2015 and 2016. Specifically, international competitiveness (62.5%), red tape (58.34%) and marketing (56.52%) are reported as the three main trade issues for *service* businesses in 2018. Surprisingly, a high exchange rate is no longer perceived by service businesses as a main issue in 2018. Similar to *goods*, overall international competitiveness remains as the top issue for the service business in the years from 2014 to 2018. The top five trade issues for *services* in the period of 2014-2018 are listed in Table 3.2.

If we look at the overall situation, of the top five trade issues for *goods and services* businesses, there are significant changes being reported in 2018 from earlier reports in years 2014, 2015 and 2016 (see Table 3.3). Specifically, in 2018, international product development is now regarded as the top trade issue (77.78%) for all Australian businesses. This emphasis stands in contrast to reported overall international competitiveness in years 2014, 2015 and 2016. Whilst red tape and exchange rate were two out of top three trade issues reported in 2014, 2015 and 2016, these issues have been replaced by the ability to service international markets (77.77%) and international competitiveness (70.37%) in 2018. What is emerging then, is not only increased issues of international competitive pressures, but uncertainties of being able to offer and deliver international product development in the face of perceived rising global competition.

If we look further into the *trade issues*, we see a pattern emerge. Specifically, for all Australian businesses in 2018, the top three trade issues include red tape (37.08%), overall international competitiveness (35.96%) and a too high exchange rate (33.71%). By contrast, trade issues that they are of little to no concern include dumping and anti-dumping rules (39.33%), piracy (37.08%) and a too low exchange rate (30.34) (see Table 3.6). Thus, Australian businesses are highlighting *various issues*, such as red tape, international competitive pressures and international product development (see Table 3.6).

Level of Concern Regarding Trade Issues

Thus, across all categories of firms, the 2018 results indicate the lack of diversity in trade destinations, with China an increasing destination, yet less diversity across other rapidly growing emerging (frontier) market destinations in Asia, for both goods and services trade. In addition, the three main trade concerns include red tape (37.08%), overall international competitiveness (35.96%) and a high exchange rate regarded as too high (33.71%).

Trade Administrative Issues

Respondents in 2018 were again asked to rate their experiences of dealing with various forms of trade administrative issues. The most positive experience overall related to trade agreements certificates of origin (2.81 out of 4.00) and non-preferential certificates of origin (2.61 out of 4.00) (see Table 4.1). But in 2016, the most positive experience overall related to Incoterms 2010, with a mean value of 2.71 (out of 4.0) and over 60 per cent of businesses stated it is either 'excellent' or 'good'. This was followed by non-preferential certificates of origin, with a mean value of 2.69 out of 4.00 and trade agreements certificates of origin, with a mean value of 2.61 out of 4.00. In 2018, the most negatively ranked administrative issue was Department of Agriculture (AQIS) certificates (1.18 out of 4.00) followed by non-tariff barriers (1.36 out of 4.00). Compared with the 2014, 2015 and 2016 results, Incoterms 2010 moved down two places, between less than "good" and higher than "poor" experience. Most notably, despite the ranking of all listed issues, except for trade agreements certificates of origin the mean values of all listed issues of 2018 were lower than those of 2014, 2015 and 2016. This suggests that the quality of *all administrative issues need to be improved* in order to enhance business satisfaction.

Utilisation of Trade Support Initiatives

Regarding the utilisation of support initiatives, Australian businesses continue report that they rarely use them. Specifically, survey respondents were asked about the frequency they used various trade support initiatives. These initiatives included the Export Finance and Insurance Corporation (EFIC), Export Market Development Grant (EMDG), Austrade, state government trade promotion agency, and Chambers of Commerce or Industry Associations. Similar to the 2014, 2015 and 2016 results, overall, the majority of businesses stated that they 'rarely' or 'never' used such services (see Table 5.2). For example, 68.00% of businesses never used EFIC and 52.00% of businesses had never used state government trade promotion agencies. Alarming, the usage of all support initiatives decreased in 2018 compared to 2016, 2015 and 2014 (see Table 5.1). Interestingly, similar to the finding in 2016, Chambers of Commerce or Industry Associations received the highest utilisation rate in 2018 (24.00%). The above results strongly suggest the view that businesses were either not aware of the trade support initiatives available to them, they did not address their needs, or the benefits businesses gained from these services did not compensate for the costs involved. This is a continuing concern, given the elevated level of importance of the top trade issue related to international competition and major overall concern with new product development reported by the majority of survey respondents.

As a further illustration, regarding firm size variation, Chambers of Commerce or Industry Associations were utilised the most and EFIC was utilised the least by all firm sizes (see Tables 5.3, 5.4 and 5.5). Whilst large firms utilised Chamber of Commerce or Industry Associations more than SMEs, specifically, small sized firms utilised EFIC less than medium firms. However, large sized firms reported never utilised EFIC (see Table 5.5). Specifically, SMEs are the most vulnerable, yet least served by these trade support initiatives as reported again in the 2018 survey.

Experience with Intermediary Services

By contrast, Australian firms engaged in international business normally interact with a wide range of intermediaries such as Australian Immigration, courier companies, Australian Customs, Australia Post, and shipping and logistics companies. As such, businesses were asked to rate their experience with these five intermediaries. Overall, Australian Immigration was rated the highest with a mean value of

2.80 (out of 4.00) (see Table 6.1) and nearly three quarters of respondents (70.00 per cent) stated their experience with shipping and logistics companies to be either 'good' or 'excellent' (see Table 6.2). This was followed by courier companies with a mean value of 2.73 and 66.25 per cent of businesses rated this intermediary to be either 'good' or 'excellent'. The 2018 results are mostly in line with the 2014, 2015 and 2016 where shipping and logistics companies and Australian Customs were ranked the highest and second highest, respectively. However, in 2018, the intermediary to receive the lowest rating was shipping and logistic companies with a lowest mean value of 1.8.

Problems Businesses experience in International Trade

On a more positive note, businesses were asked about the frequencies of problems they encountered in international business transactions, including corruption, piracy, counterfeiting, commercial disputes, difficulty enforcing contracts and non-tariff measures. Overall, the majority of businesses stated they 'rarely' or 'never' encountered such problems (see Table 7.2). However, corruption, counterfeiting and difficulty enforcing contracts were equally considered the most frequently cited experience, with 28.00% of businesses experiencing these problems 'always', 'often' or 'sometimes'. Another positive, is that as many as 84.00% of businesses noted commercial disputes to be the least frequently cited experience (either 'rarely' or 'never'), followed by piracy (76.00%). Firms' experiences in international trade have considerably changed compared with the 2014, 2015 and 2016 results as the frequencies of problems they experienced have considerably decreased in 2018 compared with any other previous years such as 2016, 2015 and 2014 (see Table 7.1). The qualitative findings suggest that experienced firms manage these issues better than the less experienced using several strategies.

Trade Finance

Trade finance continues as a difficulty facing many firms. Businesses were asked to rate the level of difficulties they experienced when accessing trade finance. The 2018 results show that 26.56% of all businesses experienced difficulties (combined 'difficult' and 'very difficult' categories) in accessing trade finance (see Table 8.1). However, while about 31% of small businesses stated they experienced such difficulties, the number for large firms was only 14.29% and for medium firms was more than 23%. This suggests that firm size is negatively correlated with difficulties in accessing trade finance. This is emphasized strongly in the qualitative findings.

Business Understanding and Utilisation of Trade Agreements

Understanding and utilisation of trade agreements continues to be problematic apart from the China-Australia Free Trade Agreement (FTA). This is confirmed in the qualitative findings. Businesses were asked about their understanding and utilisation of a list of general FTAs. The results show that the majority of businesses stated that these FTAs are not relevant to them (see Table 9.1). The most irrelevant FTAs identified by the businesses are Peru-Australia FTA (63.87%), Australia-Chile FTA (60.50%) and Pacific Agreement on Closer Economic Relations (PACER) (51.26%). A significantly large number of businesses do *not understand or use* FTAs. Business understanding and use of general trade and FTAs ranged from 2.52% for Peru-Australia FTA to 33.61% for the China-Australia FTA. Interestingly, the figure for businesses understanding of general trade and FTAs but don't use them ranged from 5.88% for the Peru-Australia FTA to 15.13% for the Japan-Australia FTAs. Most notably, the highest rate of both understanding and use was 33.61% for the China-Australia FTA. It was also the most well understood agreement reported in the 2018 survey with a result of 41.01%. This was followed by the ASEAN-Australia-New Zealand FTA (38.66%) and the Australia-United States FTA (36.97%). By contrast, the least understood and used agreement was the WTO agreement (most favoured nation provision) with 29.41% businesses stating they do not use this agreement and 50.42% acknowledged that this FTA is not relevant to them. This is surprising given Australia has been a WTO member since January 1995 and a member of GATT since October 1967. It may also reflect the automatic nature of its provisions and that business is using it without knowing.

Government's Priorities of Future Trade Agreements

Respondents were asked to provide their opinion on the government's priorities of future trade agreements. Overall, the Australia-India Comprehensive Economic Cooperation Agreement received the highest priority (40.34% of respondents across all cohorts) (see Table 9.9). This was followed by the European Union (36.97%). The least priority was given to both Africa and South America (7.56%), yet the qualitative findings emphasize greater interest. The results diverged according to firm size. Small firms favoured the Pacific Alliance (34.85%) and both the Australia-India Comprehensive Economic Cooperation Agreement and European Union were in the second place (33.33%). The highest priority was given to the European Union by medium sized firms (51.22%) whilst large sized firms preferred the Australia-India Comprehensive Economic Cooperation Agreement and Indonesia-Australia Comprehensive Economic Cooperation Agreement equally (58.33%). The latter is currently waiting on further Federal Government discussion.

Yet, when asked to state their preferred type of agreement that the Australian Government should focus its efforts on, more than three-quarters (76.47%) of all businesses mentioned FTAs as their most favoured option (see Table 9.10). This is consistent for all firm sizes. Specifically, for small sized businesses, double taxation agreements and investment protection agreements were the second and third most emphasized, respectively (16.66% and 12.12%). However, large firms were more interested in investment protection agreements (8.33%) than in double taxation agreements (0.00%). Finally, medium sized businesses prefer both investment protection agreements and double taxation agreements equally, rated at 4.88%.

Trade Services Offered by Chambers of Commerce and Industry Associations

Chambers of Commerce and Industry Associations provide a wide range of trade related services to Australian businesses, of all sizes. Respondents were asked to rate their level of understanding of trade services offered by these organisations. Overall, nearly a half of respondents (47.90%) stated they did not understand these services well (see Table 10.1). However, differences emerged when comparing the results across firm sizes. Whilst three quarters of large firms (75.00%) understood 'well' and 'very well' these services, SMEs have relatively lower understanding of these services with 50.00% of small firms and 48.78% of medium firms stating they understood 'well' and 'very well'. Thus, the major concerns relate to lack of understanding of trade services offered by these organisation for SMEs.

A similar story relates to respondents reporting on their level of satisfaction with services offered by Chambers of Commerce and Industry Associations. Most respondents felt satisfied with the service offerings. However, it was surprising to see that 21.85% of respondents felt that the services offered by these organisations were not applicable to them (see Table 10.2). This number was considerably lower compared with the previous year (41.5%). However, nearly three-quarters of those respondents (72.27%) that did deal with the Chambers of Commerce and Industry Associations stated they were 'extremely satisfied', 'very satisfied' or 'moderately satisfied'. Only 5.88% of respondents claimed they were 'unsatisfied'. However, the proportion of 'unsatisfied' has increased slightly from those reported in the previous 2016 survey (4.2%). Across business sizes, 21.21% of small firms and 26.83% of medium firms did not deal with the Chambers of Commerce and Industry Associations for services. These numbers have decreased from the results of 2016, whereby the number of small firm and large firms was 42.9% and 43.50%, respectively. Similarly, the number for large firms, which did not deal with the Chambers of Commerce and Industry Associations for services, has fallen from one-quarter (25.00%) in 2016 to only 8.33% in 2018. This is a good sign that at least satisfaction has fallen slightly, although it is still concerning that most SMEs do not use or know about the services offered. The qualitative findings confirm and strongly emphasise the survey results.

Interest in Seminars/Courses from Chambers of Commerce and Industry Associations

Finally, survey respondents were asked about their top five areas of interest in which the Chambers of Commerce and Industry Associations should provide more assistance and information. Small sized firms expressed their highest interest in exporting (57.58%) followed by FTAs (54.55%) (see Table 10.3). Both medium and large sized firms expressed their highest interest in FTAs (73.17% and 66.67%, respectively) followed by exporting (65.85% and 66.67%, respectively). Interestingly, firms across all sizes considered the trade documentation and certificates of origin as the third top area of interest. Thus, more focused, specialised and informed training is needed, recognising the differences in how that training needs to be delivered given the demands placed on SMEs compared to larger firms in terms of resources. The qualitative findings highlight this last point and emphasise the problems different firm sizes face and why, regarding accessing suitable training.

RECOMMENDATIONS

In providing a **number of recommendations based on the results of the 2018 ACCI Trade Report** we consider some important *background issues* that also comment upon Australia's competitiveness and future productivity. In particular, the *Global Competitiveness Report 2017–2018*¹.

Background: *“The Global Competitiveness Report 2017–2018 comes out at a time when the global economy has started to show signs of recovery and yet policymakers and business leaders are concerned about the prospects for future economic growth. Governments, businesses, and individuals are experiencing high levels of uncertainty as technology and geopolitical forces reshape the economic and political order that has underpinned international relations and economic policy for the past 25 years. At the same time, the perception that current economic approaches do not serve people and societies well enough is gaining ground, prompting calls for new models of human-centric economic progress.*

In many advanced economies the value of economic growth for society has come into question as a result of increasing inequality, the challenges of technological change, and the complex impacts of globalization—including those related to trade in goods, services, and data, and to the movement of people and capital. In emerging economies, record decreases in poverty and a growing middle class have fueled higher aspirations and demands for better public goods; these demands are now clashing with slower growth and tightening government budgets” (The Global Competitiveness Report 2017–2018: V).

Based on the survey results and qualitative findings of the 2018 ACCI Report, we demonstrate that Australian businesses engaged in trade of goods and services, face many current and future challenges. With this context in mind, at home and abroad, drawing on our results and findings we **offer the following recommendations** and we invite policymakers, business leaders, civil society leaders, academics, and the public at large to consult the performance and implications for productivity of Australian Exporters.

In doing so, we also *reflect* on the *recent* Global Competitiveness Report of 2017-2018. We need to keep in mind *Australia's recent ranking of 21, up from 22* in the Global Competitiveness Index 2017-2018 and, together, identify the main challenges and barriers to growth facing Australian exporters in trade and services. As the peak body representing all businesses in trade in goods and services in Australia, the ACCI invites all stakeholders to look beyond rankings and to *analyze the evolution of indicators each concept covered*, in order to identify areas of *improvement* and areas where the *Australian economy is lagging*. Benchmarking and monitoring, as we have sought to do in the four ACCI Reports (2014-2018), can support public and private collaboration toward identifying priorities, thereby allowing for the design and implementation of more forward-looking policies that go further in balancing market, state, and community to make Australia more competitive, productive, and prosperous:

¹ The Global Competitiveness Index 2017–2018 Rankings. Covering 137 economies, the Global Competitiveness Index 2017–2018 measures national competitiveness—defined as the set of institutions, policies and factors that determine the level of productivity.

RECOMMENDATIONS

Bilateral Trade by Country

Recommendation 1:

Government should increase support for internationalisation by small and medium sized businesses into more diverse markets to encourage recognition of additional opportunities.

Recommendation 2:

Government needs to provide greater incentives for diversity of bilateral trade across all business sizes with particular emphasis on Asia and Asia Pacific, given the increasing majority of businesses are most commonly engaging with, and relying on a single market: China.

Information

Recommendation 3:

The Government should provide additional support to ensure greater take-up of their information services online prior to private visits.

Recommendation 4:

Government, Chambers and Industry Associations need to work in a more effective and coordinated manner, to disseminate information directly to the relevant industry level, to improve industry specific information dissemination.

Key Trade Issues

Recommendation 5:

The Australian Government should commit to improving Australia's international competitiveness, with particular focus on improving imports and exports as a percentage of GDP, especially for smaller firms.

Recommendation 6:

The Australian Government should streamline procedures and processes, including reducing red-tape and providing a more integrated, and convenient application of online services related to international trade.

Recommendation 7:

The Australian Government should harmonise the rules of origin across trade agreements.

Trade Administrative Issues

Recommendation 8:

Comprehensive trade training around export readiness (which includes Incoterms 2010 and Certificates of Origin procedures), and ongoing business growth through business development and new product development for small and medium sized businesses, should be made available and supported by the Federal Government.

RECOMMENDATIONS

Recommendation 9:

The Australian Government should coordinate training to help redress concerns regarding new product development and ability to service international markets. Such training support should help to reduce the amount of risk taken on by exporters and importers and improve the likelihood of overall international competitiveness.

Utilisation of Support Initiatives

Recommendation 10:

More support should be focused on the pre-export readiness phase of business, whereby suitable businesses are able to access training and support to develop an international market strategy and new product development, across a more diverse range of countries.

Recommendation 11:

Trade support related to new business opportunities needs to be timely, and directed through to industry and sector associations where it can be more quickly implemented.

Recommendation 12:

Renewed effort should be made by government to minimise unnecessary compliance, complexity and duplication associated with trade support and grants. It needs streamlining and clearer communication channels, especially to smaller firms.

Recommendation 13:

Greater coordinated effort should be made by government to create awareness of what services they actually provide. This information should be better communicated online with longer lead times on training programs, events and networking opportunities, to enable smaller firms in particular, to schedule and plan ahead.

Recommendation 14:

Government agencies should work more closely with Chambers of Commerce to provide a seamless package of support measures for exporters.

Recommendation 15:

Government should not raise a fee for service charge. Commercial service offerings should be left to the commercial sector, and Government delivery should be minimised. Chambers and other providers offer commercial support services and Austrade and other agencies should refer clients on once the client needs more specific support, which needs to be streamlined further to reduce unnecessary cost. Greater use of the internet and online modules to supplement face to face training support is needed, which again, should be focused on reducing cost, especially for smaller firms.

RECOMMENDATIONS

Trade Finance

Recommendation 16:

Renewed efforts should be made to promote and make accessible, trade finance to small and medium sized businesses.

Recommendation 17:

Administrative complexity in trade finance needs addressing. This is especially critical for smaller firms.

Recommendation 18:

The government needs to acknowledge the general lack of knowledge by business about our various FTAs and their perceived usefulness, and address the overarching view held by all businesses that government provided services are reducing. This is a particular problem amongst small and medium sized businesses.

Recommendation 19:

The government needs to acknowledge the interest by all businesses to know more about our FTAs other than China, in order to diversify our interests. This lack of understanding and desire for knowledge around opportunities provided through FTAs is a particular problem amongst small and medium sized businesses.

Recommendation 20:

The government needs to invest more in coordinated and integrated training programs about our specific FTAs, and create relevant training programs and awareness-raising campaigns amongst small and medium sized businesses. More effective communication by partnering closely with Chambers of Commerce in its delivery is needed.

Chamber Trade Services – Level of Understanding

Recommendation 21:

Chambers of Commerce and Industry Associations should do more to increase the awareness of the benefits of their service offerings.

METHOD

An *online questionnaire* was used to collect data from Australian businesses in May 2018. 201 questionnaires were returned and were usable for data analysis, representing Australia's state and territories, and different industries and business sizes. Businesses were categorised as small (1-19 employees), medium (20-199 employees), or large (200+ employees). Additional details about respondents can be found in Appendix I.

In addition to the questionnaire, a qualitative phase was undertaken. Semi-structured interviews were the basis for data collection and took place over the course of one month. The interviews were used to draw out specific issues raised in their survey responses. Managers were invited to participate in a 30 to 60 minute interview. An interview protocol (template) was used to help guide the interviewer and provide a level of consistency to the data collected. In all cases, the interviews were recorded and transcribed. In total, 15 interviews were conducted via the telephone.

The data analysis technique applied in this study included frequency distribution of responses by respondents for the survey analysis and the template approach for the qualitative interview analysis². A coding template, which summarised themes that emerged from the data was developed. The coding template identified themes and provided brief descriptions of each theme. Each interview was coded using the coding template themes. The qualitative findings are presented alongside the quantitative results to highlight issues identified from the survey. It is important to note the role of qualitative research is to understand key attitudes, emotions and patterns of thought, therefore responses to themes are not quantified, but rather represent a range of opinions that provide better context to the question at hand.

1. PROFILE OF RESPONDENTS

1.1. HOW AUSTRALIAN BUSINESSES ENGAGE IN INTERNATIONAL TRADE

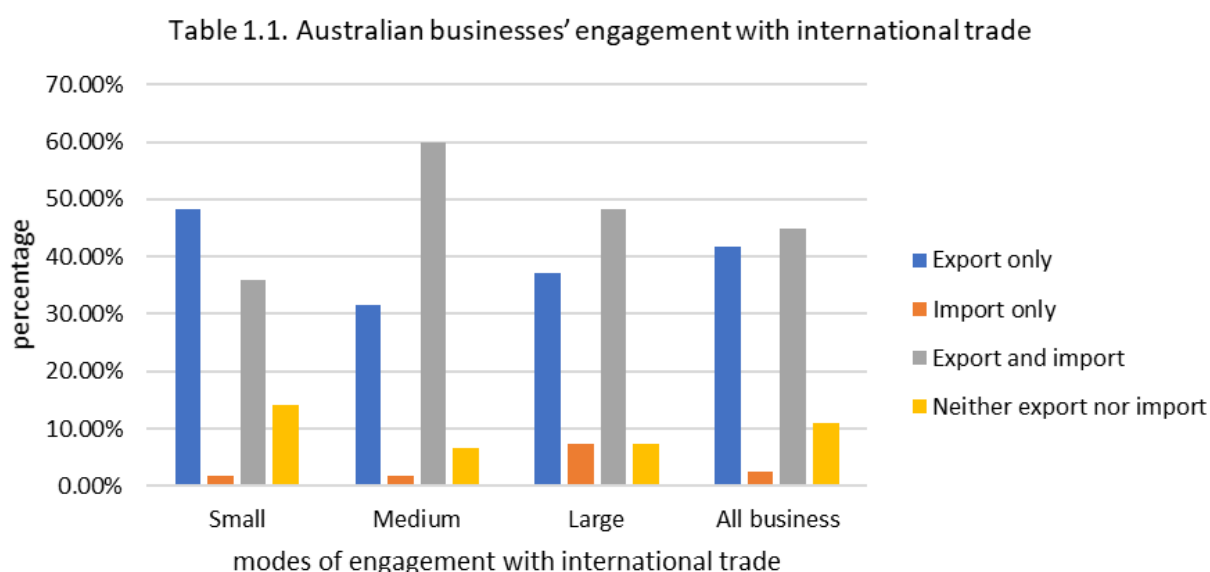
The results show that overall, nearly half of all Australian businesses were engaged in both exporting and importing and nearly half in exporting only. Businesses that were engaged in importing only were the smallest segment, representing only 2.49 per cent of respondents.

Specifically, nearly half (44.78%) of all Australian businesses are engaged with both exporting and importing (Table 1.1). The second highest (41.79%) mode of engagement of all Australian businesses is exporting only whilst the least engagement is importing only (2.49%). Across business sizes, nearly half (48.15%) of the large businesses are engaged with both exporting and importing, their second highest mode of engagement is exporting only (37.04%), whilst the least being imports only (7.41%). Nearly two-third (60%) medium businesses are engaged with both exporting and importing, with nearly a third (31.67%) exporting only and importing only (1.67%) is the least preferred mode of their engagement. This contrasts with the Australian small businesses which are mainly engaged with exporting only (48.25%), greater than any other firm size. They are also the least engaged with importing only (1.75%).

The above results suggest that Australian businesses were active in both exporting and importing. A small proportion of businesses who did not participate in either exporting or importing were support services in international trade.

² King, N. (2012) Doing template analysis. In: G. Symon and C. Cassell (eds.), *Qualitative organizational research: Core methods and current challenges*. London: Sage, pp. 453-478.

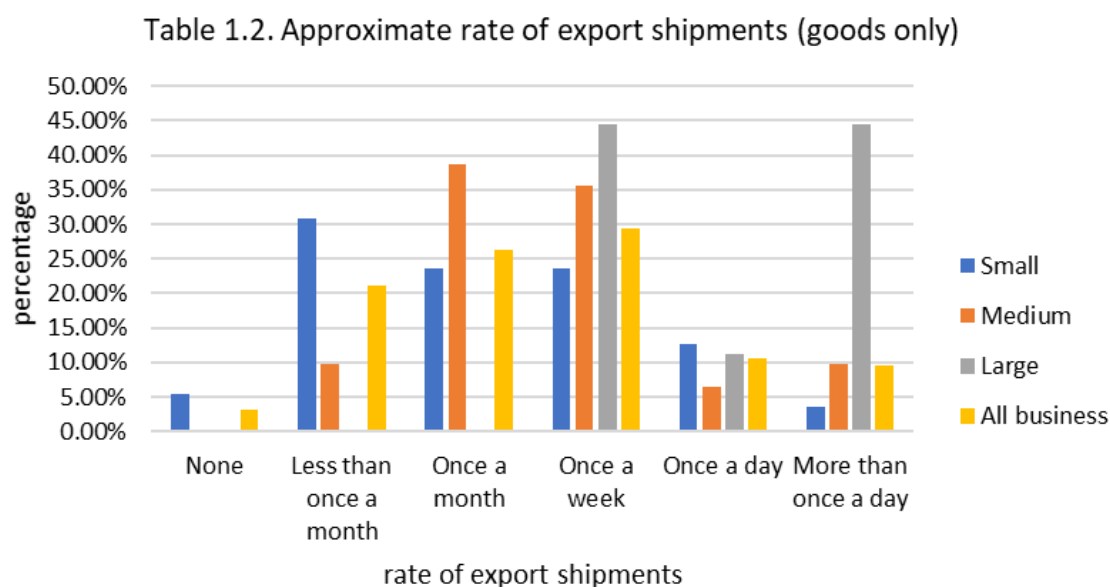
Table 1.1. Australian businesses' engagement with international trade



1.2. APPROXIMATE RATE OF EXPORT SHIPMENTS

Overall, the most frequent number of export shipments was stated as once a week (29.47%), followed by once a month (26.32%) (Table 1.2). However, this figure differs across business sizes. The most common frequency for small businesses was less than a month (30.91%). In contrast, nearly half (44.44%) of large businesses surveyed exported more than once a day as well as once a week. The most frequent rate of shipment by the medium businesses is found to be once a month (38.71%) followed by once a week (35.48%).

Table 1.2. Approximate rate of export shipments (goods only)

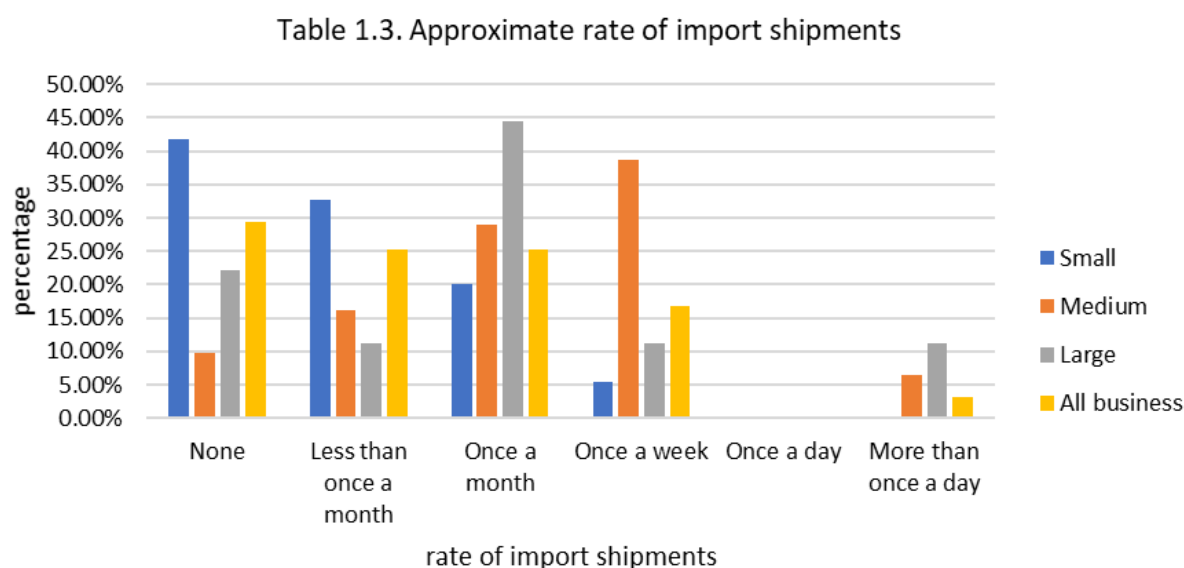


1.3. APPROXIMATE RATE OF IMPORT SHIPMENTS

Regarding the rate of import shipments, the most frequent rate of import shipments for all businesses being none (29.47%), i.e. their rate of shipments do not fall within the specific frequencies mentioned in Table 1.3. But the second highest rate of import shipments for all businesses being both less than once a month and once a month (25.26%). The highest rate of import shipments by large Australian

businesses being once a month (44.44%). This contrasts with the highest rate of import shipments for medium businesses, which being once a week (38.71%) but for small businesses the highest rate of import shipments being none (41.82%) of those specifically mentioned in Table 1.3. Based on the responses provided as many as 32.72% of the small business do import shipments as often as less than once a month.

Table 1.3. Approximate rate of import shipments

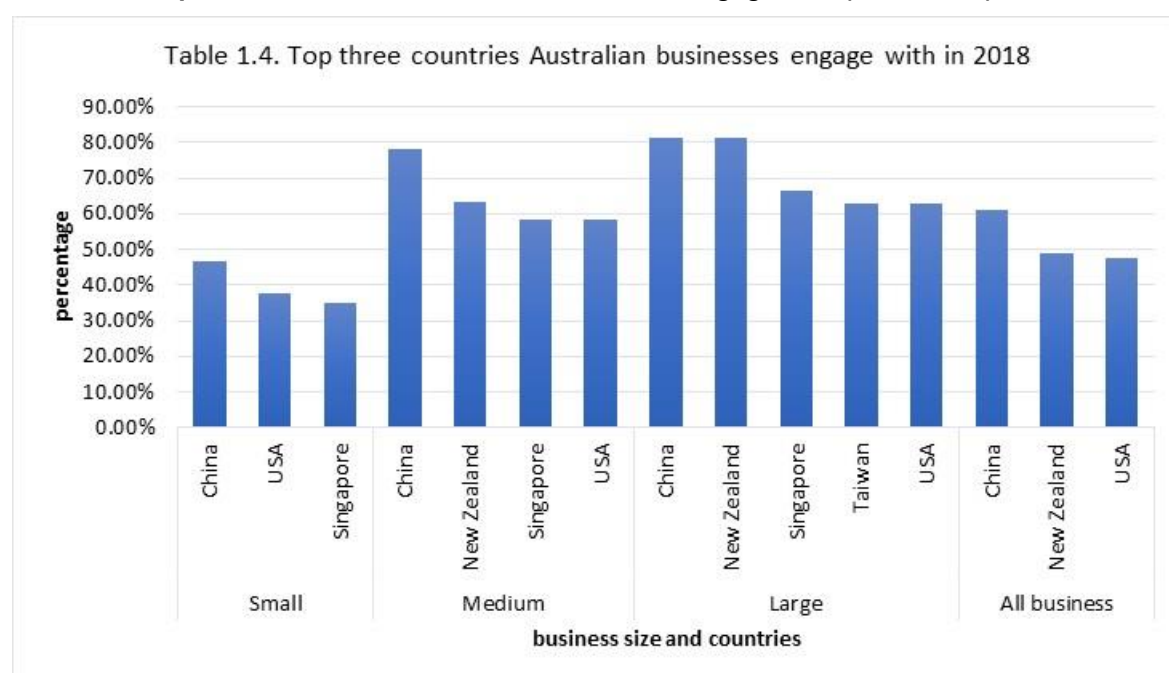


1.4. BILATERAL TRADE BY COUNTRY

The results reveal that the highest proportion of respondents overall, i.e. 61.11%, currently trade with China (Table 1.5). The second highest (48.99%) trading partner of all Australian businesses being New Zealand followed very close by the United States of America (USA) (47.47%) and Singapore (46.46%). With regard to bilateral trade across business sizes, the majority of all firm sizes stated China as the most commonly engaged market, especially large firms (81.48%).

This is similar to the 2016 results but is in contrast to the 2015 results, whereby the majority of large firms surveyed indicated that Indonesia (80.00%) was the country they interacted with the most (Table 1.4). In 2018, small firms' top three trading countries include China (46.85%), the USA (37.84%) and Singapore (35.14%). Medium businesses stated China (78.33%), New Zealand (63.33%) and Singapore and the USA (58.33) equally. Large businesses reported China and New Zealand (81.48%) equally, followed by Singapore (66.67%) and Taiwan and the USA (62.96%) equally. Such results suggest that across all the sizes Australian businesses favoured trade with countries like China, Singapore, Taiwan, New Zealand, and the USA.

Table 1.4. Top three countries Australian businesses engage with (2014 -2018)



From a qualitative perspective:

The United Kingdom (UK), following Brexit, and China, following the FTA with Australia, are now viewed as even more difficult to engage. For the former, it relates to uncertainty around tariffs, and for the latter in relates to the remarkable increase in non-tariff barriers since the introduction of the China-Australia FTA:

The hardest market for us with tariffs at the moment is the UK, because I think they've just changed the rules, literally, I don't know whether it is Brexit related or something, but we just had, and we didn't even know about it, but we've just had some complaints about online purchasers because people have been called up by Her Majesty's Customs and said by the way you now have a tariff, so that causes some consternation. Now, the reason, I'm sort of doing a weasely thing is ... if you mean direct dollar tariffs then not really but the ... you know, Australia signed a free trade agreement with China a couple of years ago, you know Andrew Robb went off and did this amazing stuff, been sensation, but then China has reacted by making it harder and harder to do direct trade, so we can't sell our [health care product] directly in a store in China because the requirement is for us to test these on animals! Now it will be a cold day in hell before I test stuff on animals! It's just not going to happen! (Firm E – Small agricultural tourism).

China remains the key market for the majority of exporters since we began our first annual trade report in 2014. It requires a great deal of cultural understanding around the differences among Chinese across Asia – it takes time, research, visits and patience:

Again, we ship globally through our international ... our main market is Asia, more specifically, what I would call broadly China, I know there's been a lot in the papers in the last few days about China and how it is one China or otherwise but if I went slightly controversial and said China/Hong Kong/Taiwan, how you want to classify that, that's really our total area, what we would call ethnically Chinese is our target area and that encompasses, what is colloquially called A, B, C. So Australian born Chinese right through Hong Kong, China, Singapore, Malaysia. For some very good reasons, our products resonates very, very well with that, and again there's sort of cultural and historical and other reasons about it. But from our

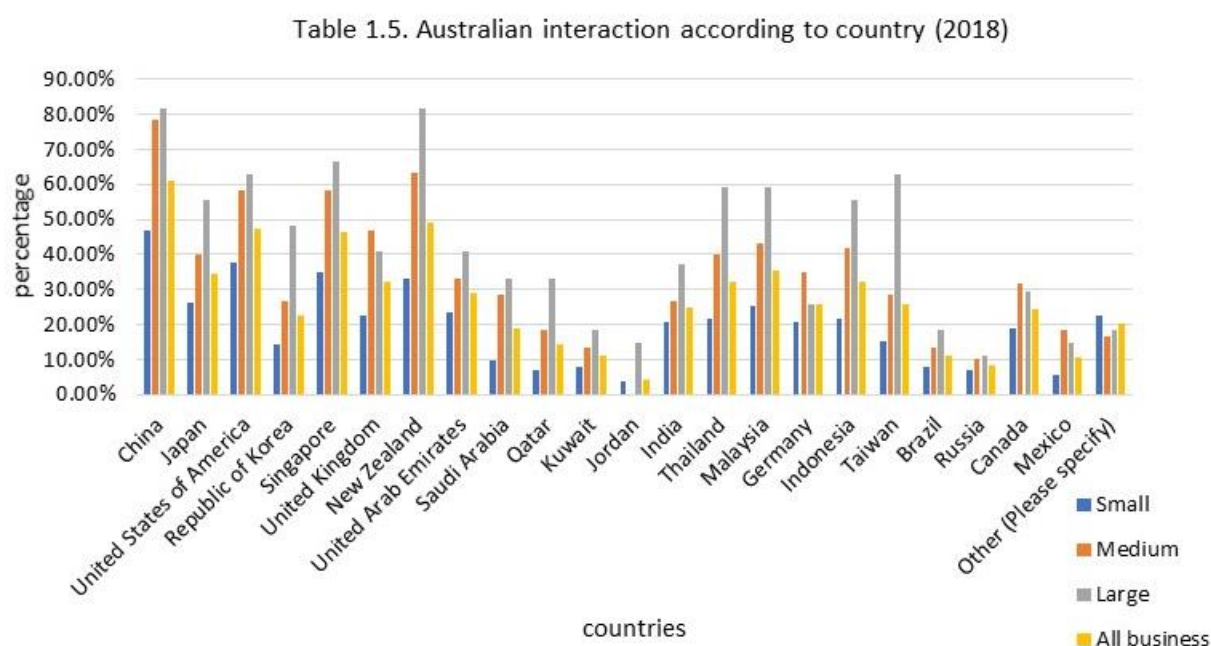
perspective, we present ourselves as a high place of beauty and cleanliness and purity and that resonates very, very well with Tasmania. How that's being [positively] perceived and then beyond that, if you've ever visited... have either in a Tier 1, 2 or 3 city in China which ... (Firm E – Small agricultural tourism).

Recognizing the benefit of diversifying interests in Asia, given the potential of so many markets, apart from China, is an increasing awareness by many Australian exporters, as well as the United States (USA). However, the latter is showing increased signs of nationalism following the installation of the Trump administration, making it harder to do business as an exporter:

Because it's the oil and gas industry, wherever there's oil and gas we have our tentacles. Yeah, our biggest markets probably Malaysia, Indonesia, Australia, United States, Vietnam, they're probably the bigger ones. We do a little bit in places like Japan, we do a bit in Thailand, Singapore, so quite diverse in Asia. America is a growing market for us because when [we] purchased [subsidiary], they tended to push the [x] product and not the [xxx] based product, so now we're trying to recover some of that and get some more actually happening in the States...

Yeah, yeah, it's ... I mean the Trump influence has had an impact, they want to buy American products, so that makes it a little bit ... it's hard work getting in, but we've got a good couple of opportunities there with some reasonable companies, so we're internationalising them (Firm F – Small high-tech equipment manufacturer – mining sector).

Table 1.5. Australian interaction according to country (2018)



Note: Respondents were asked to select more than one choice, therefore total may not sum to 100%.

From a qualitative perspective:

The potential of China is remarkable:

Look certainly, China's the one for us because that's the biggest market for us, so that's where we concentrate, it's a growing market, disposable income (going through the roof?), at the moment it's [tariffs] 2.5% and will be at zero January 1, so we're conscious of that and so's our customers there. Our biggest competitor has got 10% on there at the moment, so that's a real advantage for us... (Firm A, Large agricultural manufacturer).

China offers a remarkable opportunity for the combination of tourism and agriculture, given the clean and pristine image of many parts of Australia. However, it requires a great deal of capital investment to make it work effectively, including e-commerce and wifi to enable tourists to post images of their experiences easily, quickly and effectively. It helps promote the business very effectively too:

It's a tourism angle, it has to be something, it has to be that cutting edge that people will come in and take photos and post it online. And it's the same deal, we've invested a massive amount of money in a Wi-Fi background that allows customers to come in, take photos and instantly upload them because the ability of people to post immediately. You give them free Wi-Fi, even though it costs us a fortune, because that's the thing. They'll forget about doing the photos later on, we just want them to take the photo, feel amazing, post the photo and tell their friends about it and that for me is advertising. So when you get back to this really weird thing that actually[landscaping] for us is our best advertisement and it's such a strange, that just doesn't make sense in any normal way. It wouldn't make sense to a corporate and so it was massively under-invested when we bought it. It's taken a huge amount of capital and investment and a lot of faith, you know, we keep getting told how lucky we are and, of course, we are but at the end of the day we also have played for something, and that was a very long formed question, to answer your question about where do we ...

When we first bought the [site]. It was Japanese, the Japanese were in Australia and that was the very end of the sort of 90s and all boom, when the Japan economy really just started flatlining so to speak, they disappeared. We barely see Japanese people now and so we started targeting very much the Chinese market ...the emerging market at that time, we're talking a dozen years ago.

We knew about Hong Kong, you know as a family we've spent a lot of time in Asia, I've spent ten years of my life living in various parts of Asia, the emerging market story is an amazing one and our vision has always been to target most specifically Hong Kong people because they're extremely educated, extremely sophisticated, worldly, and quite frankly cash and they travel, and so if we could hit that market and create products and experiences that they would like then as China came up the path and online, it would be something that would be acceptable for them as well. Our target market has always been the sophisticated Hong Kong and, to a degree, Taiwanese traveller, and knowing full well that the Tier 1 residents in Beijing, Shanghai...(Firm E – Small agricultural tourism).

The stability and cultural familiarity of New Zealand makes it a lucrative nearby market:

Probably, New Zealand would be our biggest and probably, South Korea has been going really well the last few years, all of the others are sort of just no major growth but just consistent (Firm C, Medium agricultural manufacturer).

The USA remains extremely popular, as it is still interested in the smaller sized orders, which is very important for smaller firms, and quite different from the larger markets in Asia. There is still good demand in the USA and to a lesser extent, Europe:

Greatest revenue from? I'm just thinking. Probably at the moment it's sort of trending towards the United States...Yeah at the moment. Not far behind would be Europe and very closely competing with that is Asia mainly the larger countries. Only because not so much in terms of volume but the number of order sales generally are a lot smaller but there is a lot more of them (Firm J – small agricultural manufacturer).

2. INFORMATION

2.1. CHANGES FROM 2014, 2015 AND 2016 RESULTS

Respondents were asked about the channels from which they sought information about trade related opportunities. Overall, the combined frequencies of 'always' and 'often' revealed online to be the most popular medium (63.69%), followed by private market visits (over 47%) (Table 2.2). This result is similar to the 2015 and 2016 results but different to the 2014 result, which indicated private market visits as the most utilised source of information (Table 2.1). The least common channel was newspapers with 68.54% of respondents stated that they 'never' or 'rarely' gained information through this channel.

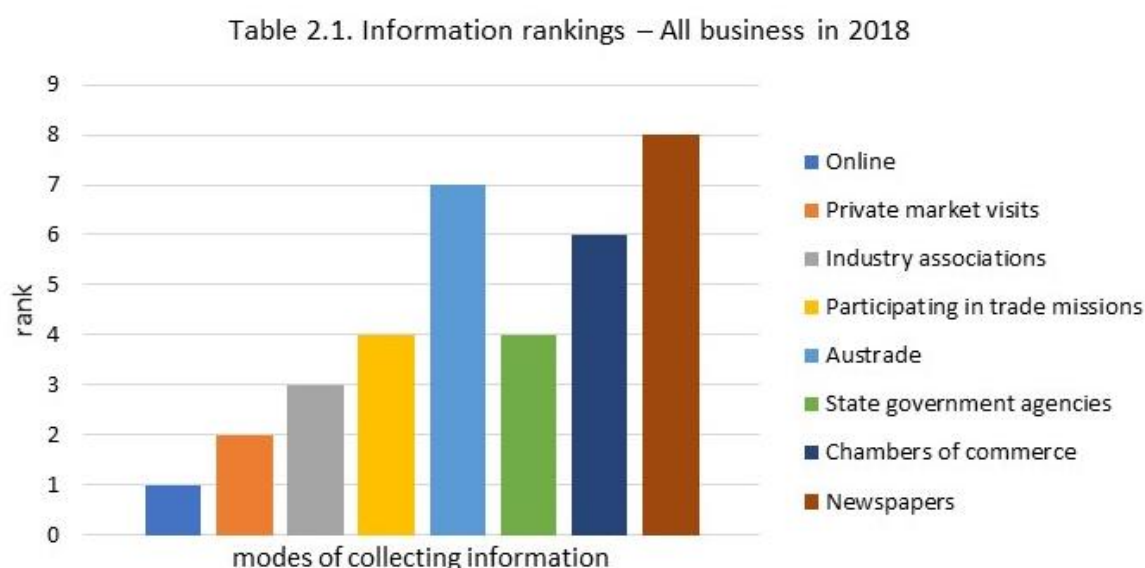
About one fifth to one third of surveyed firms accessed the listed source of information occasionally or 'sometimes'. Surprisingly, businesses did not favour the information from trade services such as Austrade, state government agencies, trade missions, or Chambers of Commerce. Over 50% of surveyed businesses stated they 'never' or 'rarely' use these sources of information.

Across business sizes, small and medium size businesses favoured online as their preferred channel of information regarding trade opportunities whilst large size businesses always preferred private market visits (36.36%) (Table 2.5). But the second preferred channel of information for large businesses was online (30.43%). Such results suggest that online and private market visits were the most preferred channels that businesses stated they used 'always' and 'often' more than 'rarely' and 'never' for gathering information regarding new trade opportunities.

Compared to large firms, small and medium firms used a wider range of channels to seek opportunities. This is demonstrated by the presence of 'always' frequency from the eight listed channels among small and medium firms. Large firms, on the other hand, mainly reported to 'always' use online, private market visits and chambers of commerce.

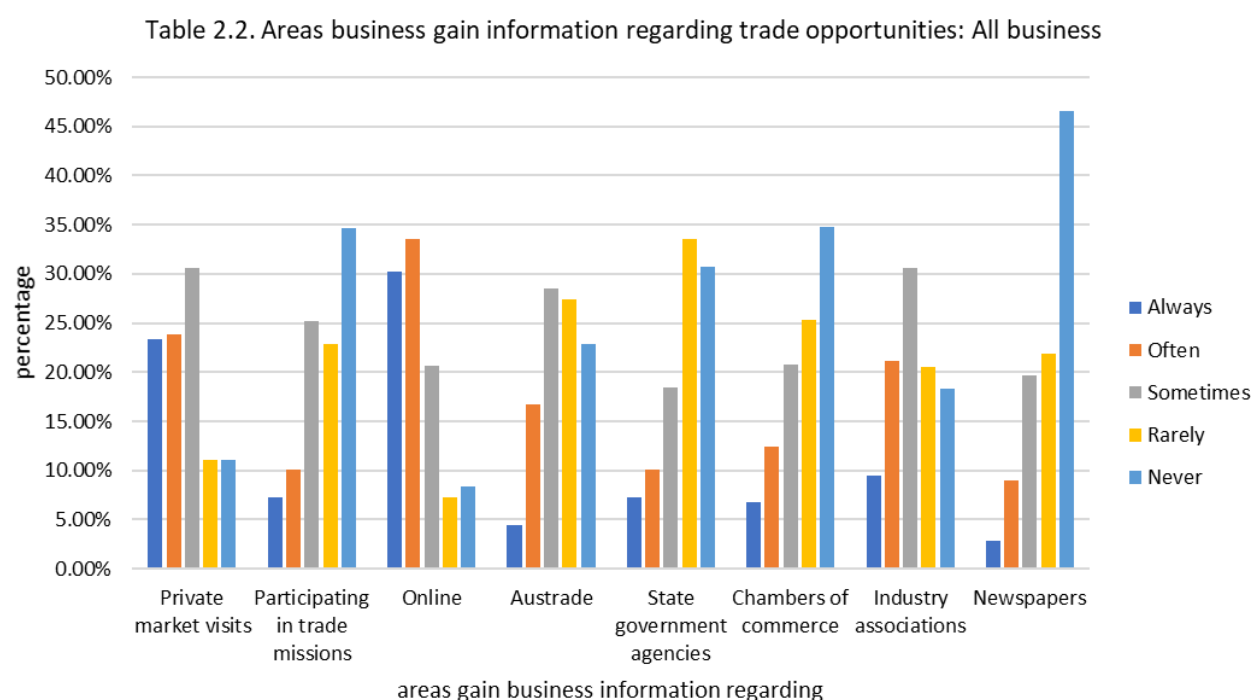
Overall, the above results suggest that despite various channels available for all firms, firms still preferred to conduct their own investigation rather than rely on the assistance or services from other parties with regard to seeking market opportunities. In particular, online has become a popular and preferred channel as businesses consider it as a provider of reliable and cost-effective information.

Table 2.1. Information rankings* – All business



* Rankings are based on the total frequencies of 'Always' and 'Often'

Table 2.2. Areas business gain information regarding trade opportunities: All business



For smaller firms, face to face, online reports and trend data in industry reports remain important sources for key information around trade opportunities:

A few different ways. Direct research so two-way conversations with our clients so we try to have very open and honest communication with our customers in these markets to understand where they see their market is going. That's one of the ways...Some of the other ways is that I receive regular research reports from global market reviewers that sort of predict I guess any increases in certain trends to purchase particular products or usages of particular products. I compile a lot of research from I guess general consumer market research...Trend watching in terms of retail and environments I keep abreast of what's going on in each of these markets in

terms of politically and economically. To sort of marry up opportunities or potential threats in those particular regions in order to determine where these markets are heading and give a little bit of more proof to the pudding when it comes to receiving information from our clients themselves (Firm J – Small agricultural manufacturer).

To a lesser extent conferences, personal visits and contacts through the various chambers are also information sources for smaller firms:

I generally, based on what I've done in the past, I've got a big network of people around the place and we communicate. I go to quite a lot of conferences where you meet again and met with what's going on and a very large unit of databases and sites that provides you with the information of what's going on in the global oil and gas business, and then once you understand where it's going, you just pop on a plane and introduce yourself, if you don't know the people already...Different Chambers, and different people like that, yes, absolutely, that's a very good thing, I mean I'm on the Arab Chamber of Commerce, the Australian Arab Chamber of Commerce, we have a State representative from the West Australian government in Dubai who runs the Middle East Africa region, he's the first point of contact (Firm I – Small professional services – gas and power).

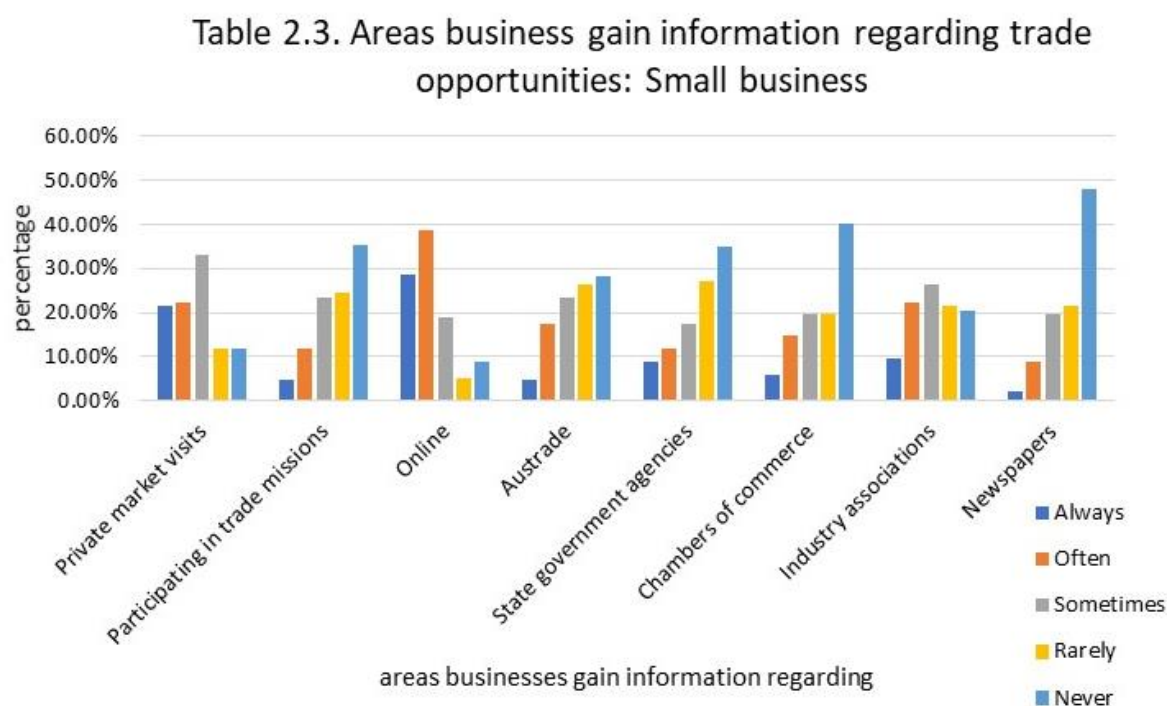
However, for smaller exporters in the high tech manufacturing sectors, personal visits and contacts are just too important to ignore, although email and other forms of social media can help to maintain the contact:

I pretty much have a ... I travel very much, and I have a network of, I guess, peers and friends and other industry contacts that when I travel overseas, I take other company heads out for dinner or we catch up and we talk about what's going on in different regions, different markets. I've done a couple of exploratory trips to China to try and learn that market more. We travel to Japan, we travelled to India recently, to find out more. We usually jump on a plane or we use our email contacts and ask questions (Firm M – Small high tech manufacturer).

Emails act as a good point or building contacts, often through unsolicited invitations, but this then needs a follow up through private visits to learn more about the potential customer to establish trust (reliability). This personal visits approach has been used by smaller firms quite successfully in West Africa and Chile:

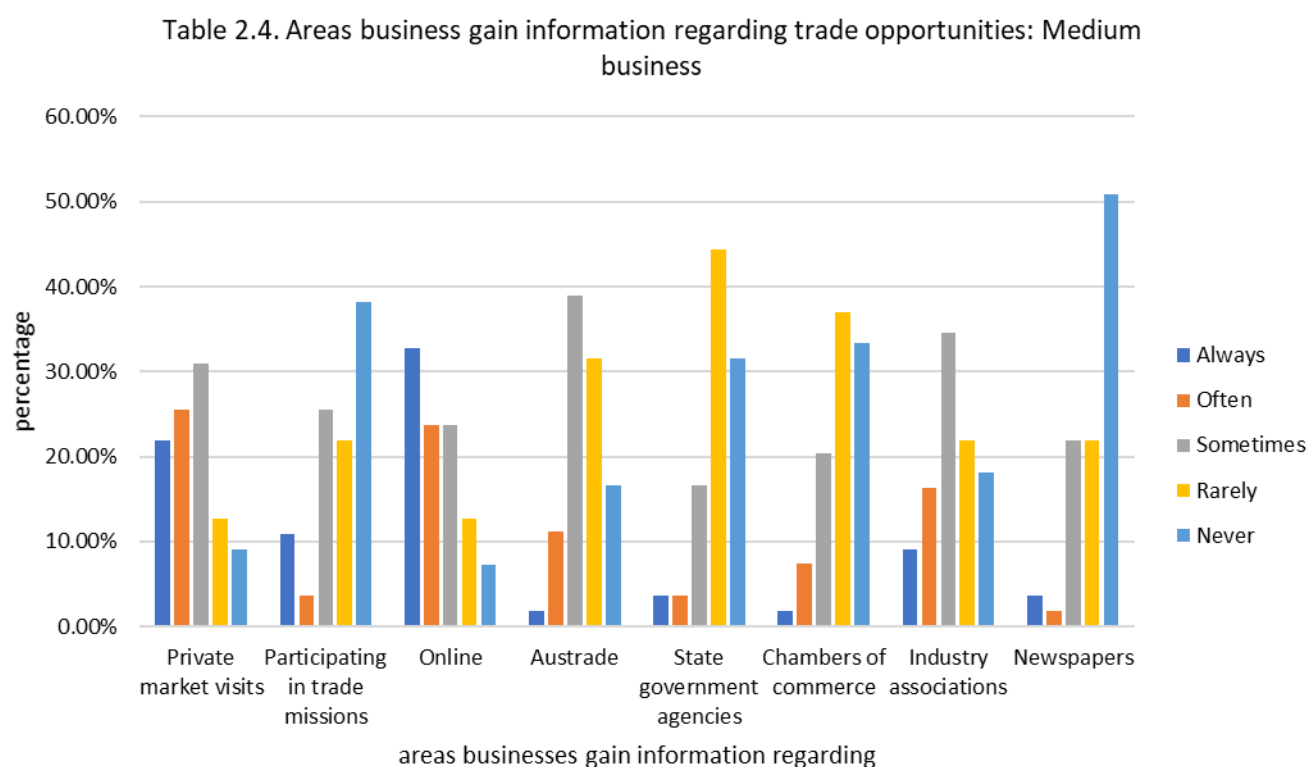
So, no third party! What we do, because ... going back to our structure of the company, how lean we run, so most times we only go out to new markets or existing markets when required, especially, with our customer in West Africa the size of the customer. They are we go there at least once a year, just go over there, catch for a coffee but there's probably no real agenda. But when we go to new markets, unfortunately, we are probably a bit ad hoc, so if we see an opportunity with someone, like I recently returned, well not recently, end of last year now, but went over, was a potential distributor looking to on forward [product input] from Chile and got a bit of momentum, and it was all sort of ... translate emails for a good few months there and they gave us some test product with good results and bought a couple of orders upfront. Good results and I thought bloody hell!!!! I don't even know if this person's even real or not! I'd only ever had translated emails! So I just made the plans to jump on a plane and go and visit, so we don't really have any ...(Firm H – Small high tech equipment manufacturer).

Table 2.3.. Areas business gain information regarding trade opportunities: Small business



* Based on total of 'Always' and 'Often'

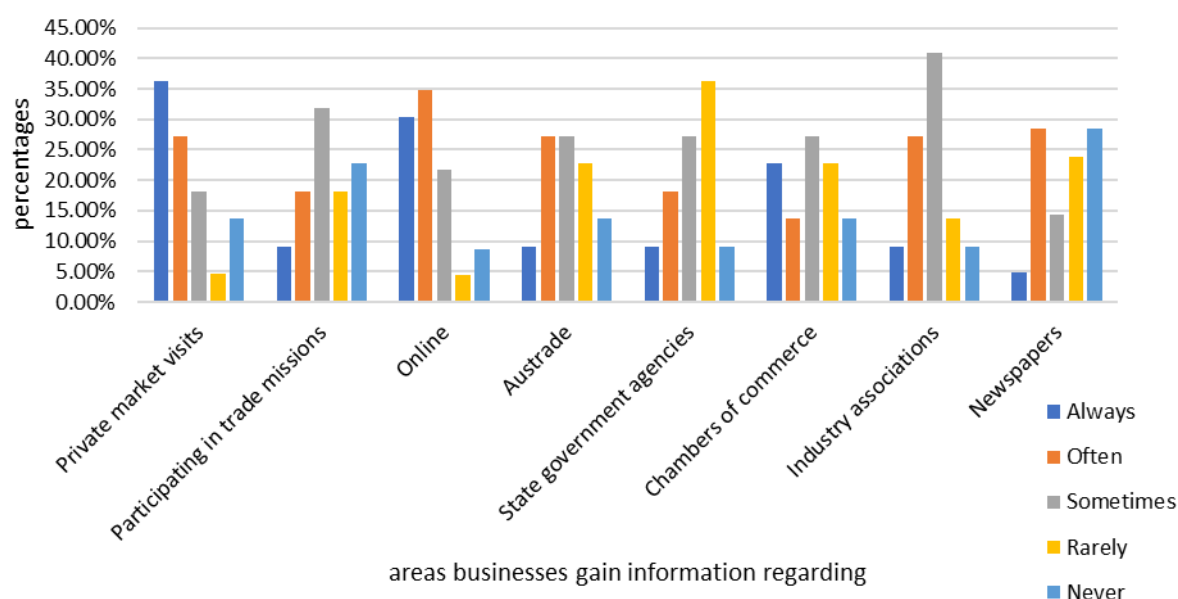
Table 2.4.. Areas business gain information regarding trade opportunities: Medium business



* Based on total of 'Always' and 'Often'

Table 2.5.. Areas business gain information regarding trade opportunities: Large business

Table 2.5. Areas business gain information regarding trade opportunities: Large business

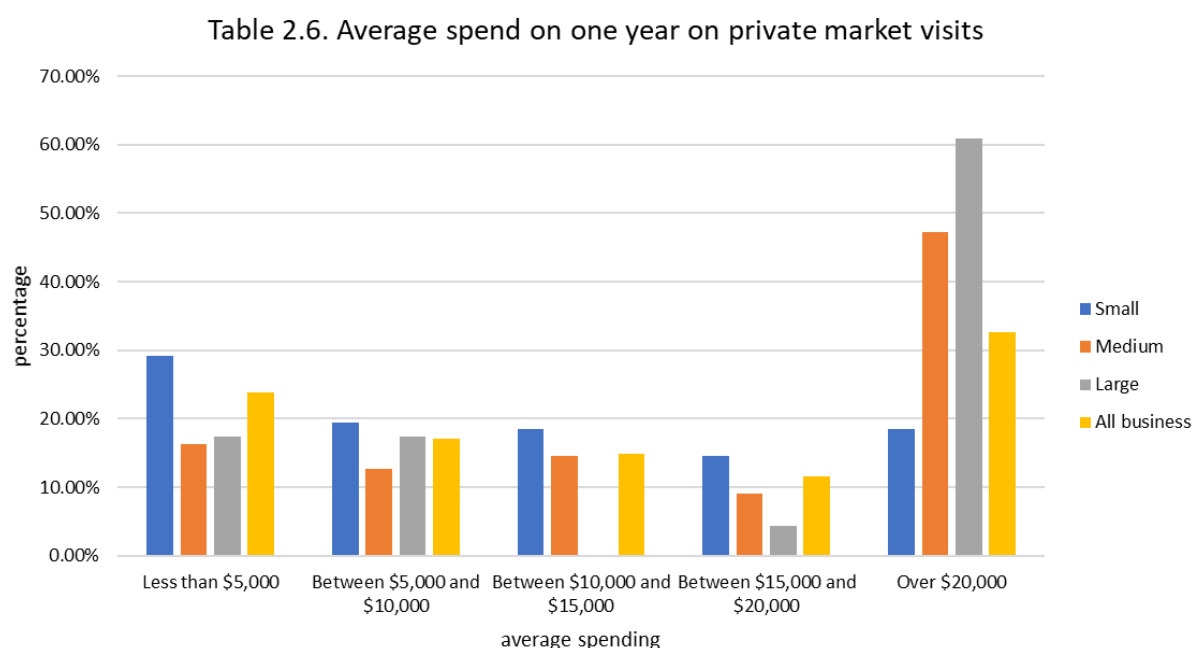


* Based on total of 'Always, Often'

2.2. AVERAGE SPEND IN ONE YEAR ON PRIVATE MARKET VISITS

For those businesses that undertook private market visits, 32.60% stated spending over \$20,000 last financial year, which is nearly 10% lower than the 2015 result but less than 1% lower than the 2016 result (Table 2.6). The shift by large businesses to focus on the online channel rather than private market visits could be the reason for the decrease in the average spending. Nearly one-third of small businesses spent less than \$5,000, whereas nearly 50% of medium businesses and nearly two thirds of large businesses (i.e. 60.87%) reported spending over \$20,000. Such results indicate that average spending varies for business sizes with a positive relationship exists between firm size and average spending on private market visit.

Table 2.6. Average spend on one year on private market visits



From a qualitative perspective:

Combining private trips with the assistance and expertise from Austrade is regarded as highly valuable:

Yeah, so I can tell you all about that, so we have team members that travel all over the world, so for customers that we already have, and we just organise it ourselves but I'll give you an example, I've just done a two week trip to the Middle East and I engaged Austrade which we've done quite often in the past, particularly in the Middle East, so we know, although we get business there and I've travelled there a lot, I still don't have enough contacts to organise a useful business meeting so I pay Austrade and then they organise my visit programme, they did that in Kuwait, Jordan and Saudi, and that will bear fruit and it was quite expensive this trip, more expensive than I thought it would be, probably their services were I think \$8,000 across those three markets and flights, so it'll end up being a \$15,000 or \$20,000 business development trip, for two weeks, that's flying economy and all that sort of thing but we're going to get an account in Kuwait, fingers crossed and Saudi, that will generate within three years, you know, I'd like to think a million dollars a year in business out of Saudi and, you know, quarter of a million or half a million in business out of Kuwait, so I think it's, although it's a lot of money it's not really in the great scheme of things and I think they do a fantastic job and no one knows about the services that Austrade provide. (Firm B, Small organic agricultural manufacturer).

Some engage a sales representative as this is deemed so important to the firm and an excellent way to meet new and retain existing business relationships with customers and suppliers:

We do have an international sales rep, who is actually based overseas. One of our domestic sales managers will be taking over that role and doing that part, but he will be travelling more than six months of the year to go round and see our customers. We only have about 20 customers around the world, so he will travel around and see them and pick up any potentially new customers... Usually through the firm, normally it's some sort of contact, for a new customer, if you've contacted us to get quotes and things like that and make it to a point where he goes to see them and then the others are just regular visits that he makes to interested

customers...It's more based on just customer retention and perfection, they do look at growth, but the big thing is the retention (Firm C, Medium agricultural manufacturer).

Assists in making sure you are dealing with the right people in the supply chain:

Yeah, they are [important], they certainly are, I've only done one trip so far that was in January and that was the hand over process, certainly in terms of the relationship in China of getting there, the more trips that I can do, the better exposed I can be to understanding who the key buyers are and am I dealing with the right buyers in those markets. There is an element of acceptance of we think we're dealing with the right people and often you may not be, particularly in China, it's funny how you can get hold of one person but it's ending up into two, three, different hands along the way to get to a certain market segment (Firm A, Large agricultural manufacturer).

However, it is very difficult to measure the ROI for a private visit – it can be literally months before any realised benefit:

It's really hard to measure, typically I can see that within a couple of months, probably three or four months of a visit, real activity an order will come through and that happens fairly consistently but then often it's a long time lag from when I do a visit to when we do the quote to getting the actual order, sometimes six, eight months, so it's a little bit hard to measure (Firm F – Small high tech equipment manufacturer – mining sector).

Rather, it is more about perceived advantages of staying in touch with latest trends and developments, which may or may not have any financial impact, directly. It is more a question of being open to new ideas that can potentially offer rewarding directions for future product development of market entry through key networks:

So, I can give you a couple of examples, so having travelled to Japan a couple of times, we made some good contacts with a good company called [xx] and they helped guide us during our launch into Japan. They helped us with age ratings there. We've done several trips to Germany, where we met some Dutch publishers, and a Dutch publisher recently distributed our game. [xxxx], worldwide to retail, and we got a very good advance on sales from that. So, opportunities are created by travelling to these trips. So, often we're not sure of what the type of outcome will be. Sometimes we do go over with a mission, but often there's a lot of activities that's going on around the world that we don't know because we're far away in Australia, so once you get over to these markets ... we've gone to Sweden a couple of times and talked to very clever software developers there and they've always given us tips and tricks on how to best price our products and best design them and monetise them, and often we go there not knowing what we're going to learn, but we come home with advantages that do help us increase our revenue and our sales projections overseas (Firm M – Small high tech manufacturer).

2.3. SUMMARY

The results show that, among those surveyed, small and medium sized businesses, favoured advanced and culturally similar markets such as New Zealand, Singapore and the USA, with the exception of China. Large businesses, on the other hand, have moved away from the more difficult and psychologically distant, emerging markets such as Indonesia, India and the United Arab Emirates in 2016 to also focus more on the culturally similar advanced markets in the 2018 results.

Recommendation 1:

Government should increase support for internationalisation by small and medium sized businesses into more diverse markets to encourage recognition of additional opportunities.

Recommendation 2:

Government needs to provide greater incentives for diversity of bilateral trade across all business sizes with particular emphasis on Asia and Asia Pacific, given the increasing majority of businesses are most commonly engaging with, and relying on a single market, China.

Recommendation 3:

Government need to provide additional support to ensure greater take-up of their information services online prior to private visits.

Recommendation 4:

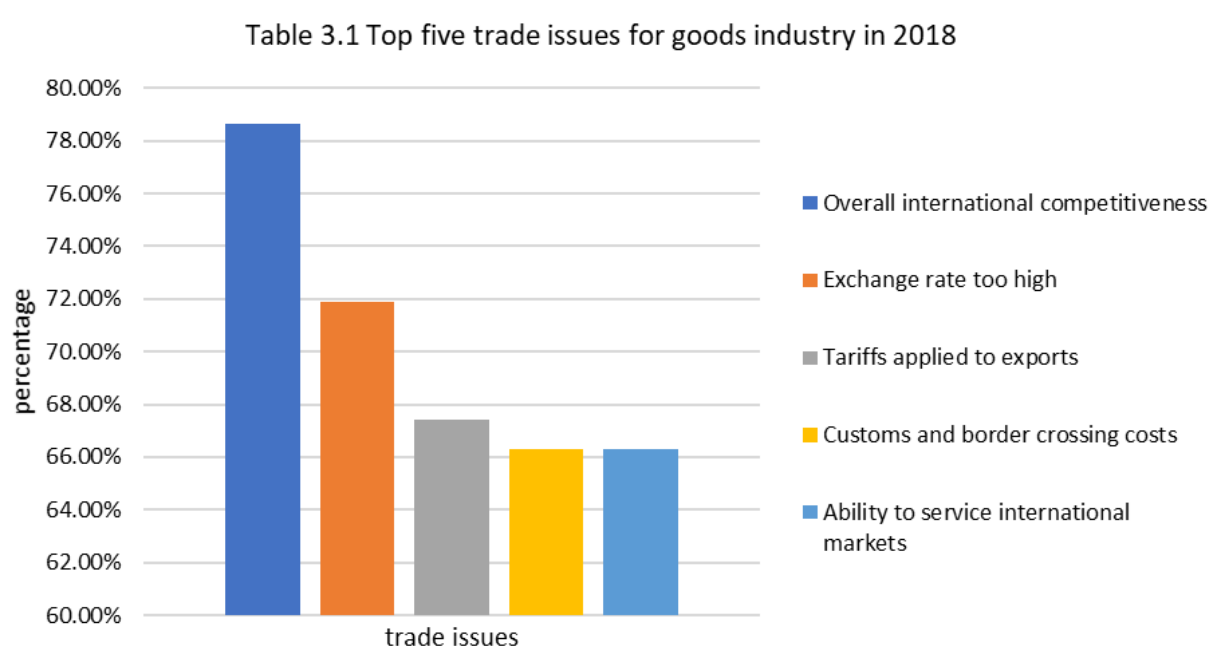
Government, Chambers and Industry Associations need to work in a more effective and coordinated manner to disseminate information directly to the relevant industry level, to improve industry specific information dissemination.

3. TRADE ISSUES

3.1. IMPORTANT TRADE ISSUES

Respondents were asked to rate their level of concern regarding a wide range of trade issues for goods they experienced in 2018. The 2018 results are then compared with those for 2014, 2015 and 2016. Apparently, international competitiveness and a high exchange rate have been the two main trade issues for goods over the years from 2014 to 2018. For 2018, however, international competitiveness, a high exchange rate and tariffs applied to exports are the top three trade issues for businesses (Table 3.1). Over three quarters (78.66%) of businesses stated overall international competitiveness to be either a major or moderate concern. As many as 71.91% of those surveyed noted a high exchange rate and 67.42% reported tariffs applied to exports of goods as the second and third impediments. The top five trade issues for goods in the period of 2014-2018 are listed in Table 3.1.

Table 3.1 Top five trade issues 2018 (compared to 2016, 2015 and 2014) for goods industry



* Based on the total percentage of major and moderate concern

From a qualitative perspective:

Smaller firms report that in the mining sector, there are visible improvements in overseas sales in the past 6 to 12 months in mining but requiring real focus on reconnecting with existing and previous clients, rather than finding openings for new clients:

Well at the moment I reckon it's probably, it'll be 40% export, 60% domestic there was a while there it was 70/30, 70% domestic, 30% export but then in the down turn, so the mining sector took a bit of a dive over the past years, but in the past sort of six to 12 months, we've definitely noticed a positive upswing in ... for a little while there we were tracking on 50/50 export versus domestic sales...It would be solely with ... we've probably picked up a couple of new customers but predominantly it would be existing client base that were quiet in down turn and now they have work, so now that they've got work, we have work (Firm H – Small high-tech equipment manufacturer).

Respondents were asked to rate their level of concern regarding a wide range of issues for services they experienced in 2018. The 2018 results are then compared with those for 2014, 2015 and 2016. Apparently, international competitiveness (62.5%), red tape (58.34%) and marketing (56.52%) have

been the three main trade issues for service businesses in 2018. Surprisingly, a high exchange rate is no longer perceived by service businesses as a main issue in 2018 but overall international competitiveness remains as the top issue for the service business in the years from 2014 to 2018. The top five trade issues for services in the period of 2014-2018 are listed in Table 3.2.

Table 3.2 Top five trade issues 2018 (compared to 2016, 2015 and 2014) for services

	2018	2016	2015	2014
1	Overall international competitiveness (62.5%)	Overall international competitiveness (75.9%)	Overall international competitiveness (80.5%)	Overall international competitiveness (83.1%)
2	Red tape (58.34%)	Red tape (61.9%)	Exchange rate too high (70.7%)	Exchange rate too high (73.2%)
3	Marketing (56.52%)	Exchange rate too high (57%)	Complexity of rules and red tape for international trade (57.4%)	Complexity of rules and red tape for international trade (67.7%)
4	Regional Connectivity (56.52%)	Ability to service international markets (55.5%)	Customs and border crossing costs (56.2%)	Ability to service international markets (61.5%)
5	New Product Development (50.00%)	Market entry/access (e.g. ability to procure visas, cost of market presence, restrictive length of stay) (52.7%)	Non-tariff barriers (such as regulation or standards) (55.7%)	Customs and border crossing costs (61.3%)

* Based on the total percentage of major and moderate concern

The top five trade issues for goods and services businesses have greatly changed in 2018 from years 2014, 2015 and 2016 (Table 3.3). In 2018, international product development is found to be the top issue (77.78%) for Australian businesses but this was the overall international competitiveness in years 2014, 2015 and 2016. Whilst red tape and exchange rate were the two out of top three trade issues in 2014, 2015 and 2016 but these have been replaced by ability to service international markets (77.77%) and international competitiveness (70.37%) in 2018.

From a qualitative perspective, small high tech manufacturing firms are developing successful competitive advantages in Canada, Asia and Europe by providing after sales service as an additional add on to their manufacturing of goods:

So, relatively competitive there was, once upon a time people bought purely on ... There's different ways people buy so whether it's on price performance, or relationship, we're a well know industry on relationships and service. So we service our customers, because you know we manufacture here [Australia], we can tailor make, we can react really quickly, our lead times are so short. Our competitors who are actually distributors of products, so they have to import the [product] bits from suppliers, whether it be Canada, Asia, Europe, whatever. So competitors of our will always steer the customer to what product they have on the shelf because that's what they have in stock. Whereas we specialise in, we acknowledge, every [customer] that's [catered for] is different. There's a different operator, there's a different [product need], there's a different ground condition, ... Well you tell us the variables and we'll tailor make a product to suit you personally and still charge you the same price as our competitor. So but in saying that that only applies to our smaller customers that don't have, that aren't multinationals and don't have big purchasing arms that don't really understand the ins and outs they only buy purely on price not on relationships. So, it can be competitive somewhat but I think we definitely have created a bit of a niche for ourselves, there's always going to be a need for our business anyway (Firm H – Small high tech equipment manufacturer).

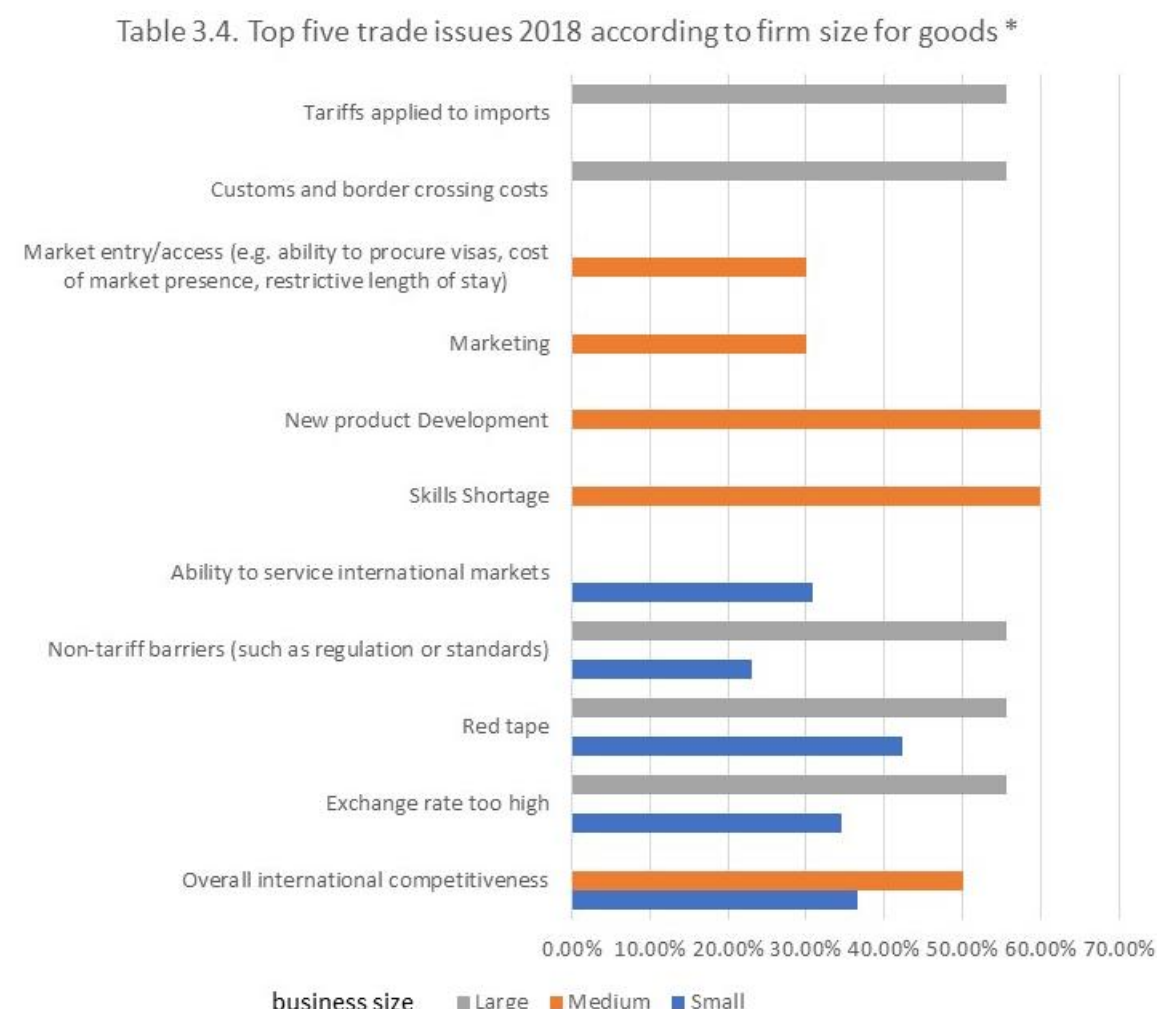
Table 3.3 Top five trade issues 2018 (compared to 2016, 2015 and 2014) for goods and services

	2018	2016	2015	2014
1	New product Development (77.78%)	Overall international competitiveness (75.9%)	Overall international competitiveness (80.5%)	Overall international competitiveness (83.1%)
2	Ability to service international markets (77.77%)	Red tape (61.9%)	Exchange rate too high (70.7%)	Exchange rate too high (73.2%)
3	International competitiveness (70.37%)	Exchange rate too high (57.0%)	Complexity of rules and red tape for international trade (57.4%)	Complexity of rules and red tape for international trade (67.7%)
4	Regional Connectivity (70.37%)	Ability to service international markets (55.5%)	Customs and border crossing costs (56.2%)	Ability to service international markets (61.5%)
5	Exchange rate too high (66.67%)	Market entry/access (e.g. ability to procure visas, cost of market presence, restrictive length of stay) (52.7%)	Non-tariff barriers (such as regulation or standards) (55.7%)	Customs and border crossing costs (61.3%)

* Based on the total percentage of major and moderate concern

For small Australian businesses engaged with the trade of goods, overall international competitiveness (36.54%) is found to be the top trade issue in 2018 but skills shortage (60.00%) and a too high exchange rate (55.56%) are the top issues for medium and large Australian businesses, respectively. Medium size Australian businesses also perceived international competitiveness as one of the top three trade issues in 2018 (Table 3.4).

Table 3.4. Top five trade issues 2018 according to firm size for goods *



* Based on the total percentage of major and moderate concern

From a qualitative perspective on overall competitiveness:

Competitiveness is helpful in driving industry standards and developing and maintaining a firm level competitive advantage:

So, competitiveness, look, I mean, I recognise for sure that competition is not a bad thing, we need to be forced sometimes to improve our game to look at things in new ways and that presents opportunities when you do that, so, I'm not unhappy that we have competition, you know, one of the problems we've got is we actually make quite a high quality set of products, not all of the competitors do the same thing, so they sell much cheaper into the same market and, of course, we're constantly re-engage with the client in terms of why they should spend more money to buy our product, so, I think one of the advantages, and a competitor advantage we have is that there's an organisation called [xxx], they're the international standards organisation for analysis in the [xxx] industry, there's representatives from the major [xxx] production companies, or countries, in their body, and they have a series of committees if you

like, they look at various standards for analysis and handling of [xxx], and our products are described pretty well within these standard methodologies, so the factories, especially new factories, you'll find project organisations will look for guidance on how they build their analytical technologies or methodologies in the factory, the new factory, they will go to [xxx], pull out the standards and then go and buy all the equipment that meets the specification, so that they then can say to their ... when they're selling their [xxx] for instance or their products, they can say that all their analysis is to [xxx]'s standard and that's a good thing for that factory but it also means it's a good thing for us because they tend to want to have equipment that conforms to that standard and in all the products we're the only product that conforms entirely to [xxx] standards, so that gives us a competitive advantage in that conversation (Firm D – Large high-tech engineering manufacturer).

However, while offshoring (locating activities overseas) and outsourcing (to overseas suppliers) might offer further avenues for developing a competitive advantage, the uncertainties can hold firms back from this strategic point:

We could produce cheaper probably, go more into different kinds of plastics rather than, a lot of our stuff is high quality stainless steel, so it looks impressive and so on, wow factor, but we've chosen not to go down that path and we manufacture entirely within Australia and, to date, we haven't gone down the path of manufacturing even in part overseas, we've talked about it a lot, but we've never taken that step of going off and having things manufactured overseas, it's all done entirely in Australia (Firm D – Large high-tech engineering manufacturer).

Building vertical integration advantages through R&D technology inputs into product IP, assists in developing a more sustainable competitive advantage, especially utilized by some of the larger exporters:

Yeah, ok, so [product] seeds is one of our biggest export products. So we have a variety that we bred ourselves that we export quite a lot of called [xxx]. In fact we own the plant breeders right or the IP for that variety and we export that to quite a lot of countries and we will export it to a single customer in that country and they've got exclusivity over that product, and then we also export a lot of another product...seed variety called [xxx] and that was bred, I think it might have been bred by (Saudi). And that was released broadscale. Anyone can trade in it. No one actually owned the public variety and we sell that to anyone that will be willing to buy from us but they're also buying from our competitors locally in Australia and overseas. And anyone in the target regions can also sell it. So as you can appreciate, those sort of markets are, I guess, are at risk of erosion of margin. And it becomes a sort of lowest price wins type scenario! It's very competitive, with things like...which ones we've bred ourselves and we've got the IP, we can extract the greater margin, so we're less exposed to the competition (Firm L – Large high tech manufacturer).

Regional locational advantages can also offer a distinct competitive advantage for a firm:

Our competitive advantage is our supply chain, which is quite unique, in our production region. So it's like saying if you have a winery in the river [area] you're probably better off than having a winery in the northern territory, you know, because if you're lucky enough to own a farm in the river [area] you're going to have better wine than other people in other parts of Australia. So we're lucky enough to source our livestock in the Channel Country, which is the unique production route in the world (Firm B – Small organic agricultural manufacturer).

Another source for developing a competitive advantage is through valuable suppliers:

Yeah, so that's the heart of the Channel Country, it's a glacier basin it's a huge inland drainage system and we source our cattle from that region and also we have our suppliers are our shareholders which has been very important. It's been a very, very difficult, probably the three

most difficult trading years we've ever had in our 25 year history and I only reckon we've really been able to do it, I think, if I'm going to be honest is because our suppliers have been our shareholders. (Firm B – Small organic agricultural manufacturer).

From the perspective of non-tariff barriers (such as regulations or standards) it makes it very difficult for smaller firms to develop overall competitiveness:

They're really significant. I can give you some examples...you know, the barriers in the Middle East are around halal certification and we have halal certifiers that come and go in Australia and we have the Dubai government, today they want ... accept halal certify A, B and C in Dubai [and then] they don't accept A, B and C, [and then] they'll accept B,E, F and...this, let's sort this out now so...we don't have any hold up at Customs, so these silly little non-tariff ... I mean, there's nothing wrong with it [the product], there's no science behind that, there's no [product] safety issues, they've got huge [product] waste challenges in the Middle East and we've had diplomats working on this for years now there's no logic in that whatsoever. (Firm B – Small organic agricultural manufacturer).

In terms of top five trade issues considered not as important by Australian businesses across sizes, protection for shipping and shipping cartels is perceived to be the least important issue for small (13.46%) businesses (Table 3.5). For large businesses, a too high exchange rate, piracy, Australian investment opportunities globally and tariffs applied to exports are all equally considered as least important trade issues (22.22% each) but skilled migration, migration levy and tariffs applied to exports are all found to be the least important trade issue for medium size businesses (10.00% each).

Table 3.5. Top five trade issues 2018 considered not to be important according to firm size

Table 3.5. Top five trade issues 2018 considered not to be important for small firms

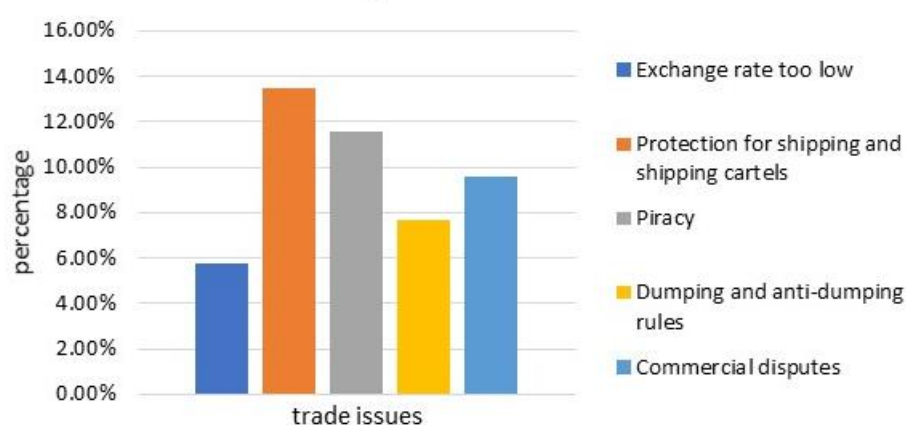


Table 3.5. Top five trade issues 2018 considered not to be important medium firms

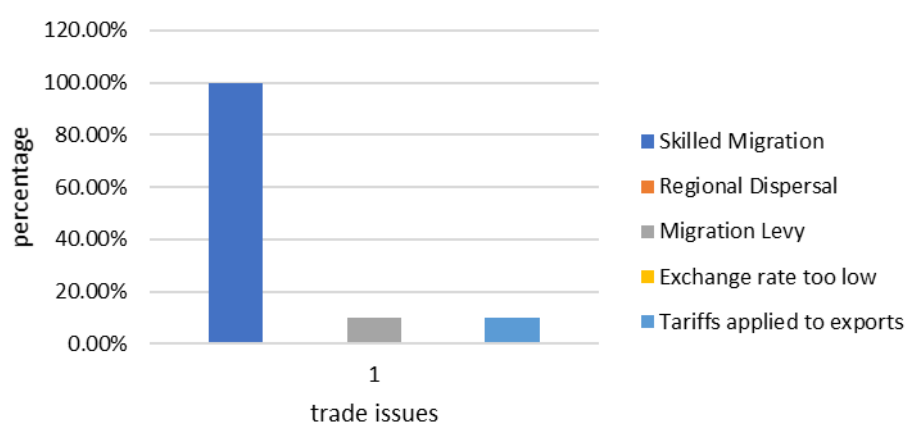
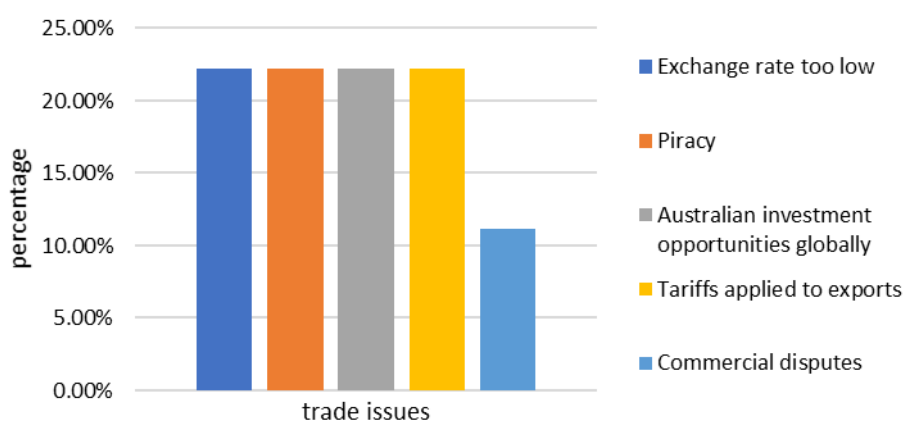


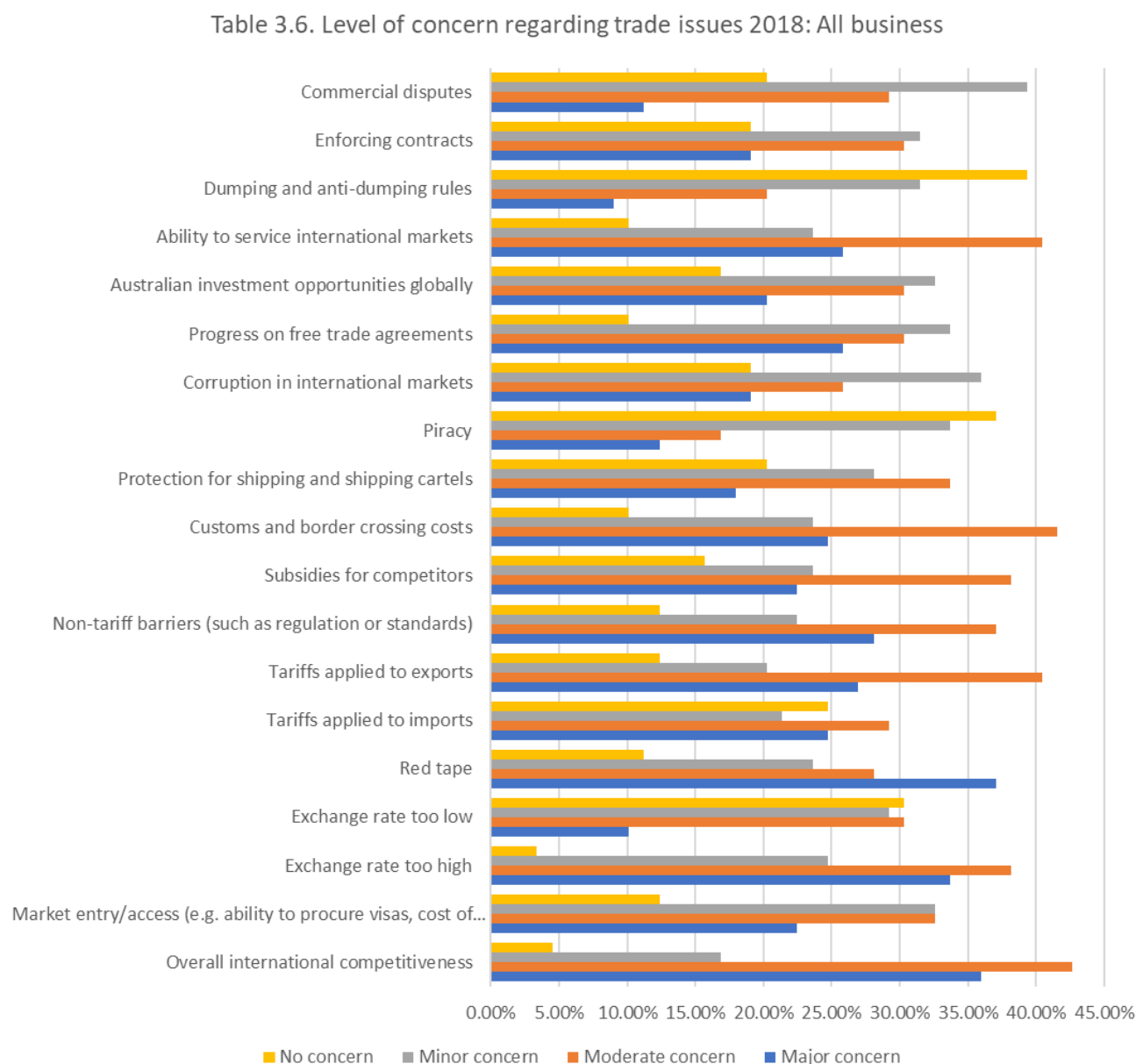
Table 3.5. Top five trade issues 2018 considered not to be important for large firms



For all Australian businesses in 2018, the top three concerns regarding trade issues include red tape (37.08%), overall international competitiveness (35.96%) and a too high exchange rate (33.71%), whilst

the trade issues that they are not concerned with include dumping and anti-dumping rules (39.33%), piracy (37.08%) and a too low exchange rate (30.34) (Table 3.6). Apparently, Australian businesses have demonstrated varying levels of concern regarding all the trade issues, as reflected in Table 3.6, which shows the lowest level of major concern being 8.99% for dumping and anti-dumping rules, and the lowest moderate concern 16.85% for piracy.

Table 3.6. Level of concern regarding trade issues 2018: All business



For small Australian businesses in 2018, the top three concerns regarding trade issues are the same as those for all businesses, as stated earlier. For example, red tape (42.31%), overall international competitiveness (36.54%) and a too high exchange rate (34.62%), are still the top three trade issues that the small businesses are concerned about (Table 3.7). Like businesses across all sizes, small Australian businesses have demonstrated varying levels of concern regarding all the trade issues in Table 3.7, with the lowest level of their major concern being 5.77% for a too low exchange rate and the lowest moderate concern, 11.54% for piracy.

From a qualitative perspective:

Lack of skilled labour prepared to do more menial tasks is now an issue for a number of sectors, which is related to shortages in skilled migration and local attitudinal changes in desiring better opportunities through their work options:

It's not necessarily a change in skilled migration it's also and purely it's also generational issues. We're finding it harder and harder to get agricultural labourers and to place people on farms for harvesting purposes. A lot of people just don't want to do that kind of work anymore whereas maybe 30 or 40 years ago it was all well and good and everyone not everyone was assigned or had desires of being in and around cities. They were a lot more regionally sparse so they were dispersed. So they were a lot more readily available to hire and place on farms whereas nowadays more and more people want jobs in offices and in the cities and with comforts and luxuries that the world and generational changes has pushed on them. So yes it is difficult to get the right set of people with the right set of skills to work on farms where the work can be quite tough but I wouldn't say that that's particularly skewed towards whether they're of Australian born or whether they are migrants or not. That's more of a general issue (Firm J – Small agricultural manufacturer).

Import tariffs also feature as a major concern for smaller firms:

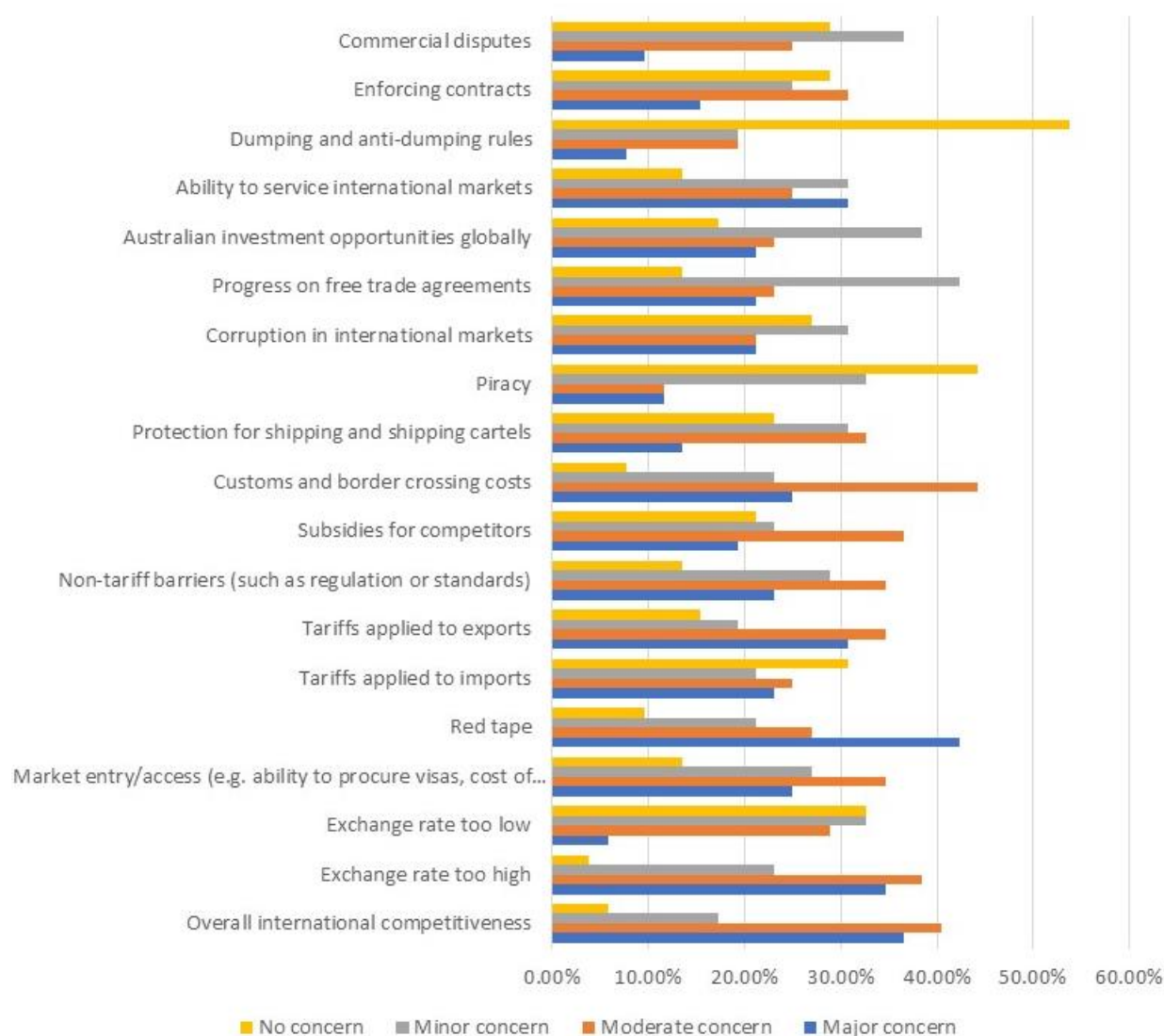
Yeah in terms of importation and import tariffs yes that is a major consideration. A lot of the stuff that we bring in from overseas as well as stuff that we export overseas we will generally we front the tariffs for customs and they can be quite hefty and sometimes we can't take those into consideration when making a sale on a commodity (Firm J – Small agricultural manufacturer).

Commercial disputes are a concern for smaller firms and can be more usefully resolved through relational approaches rather than arbitration:

Normally my commercial disputes are resolved by just finding out exactly what it was, talking and sorting it out with the not only with the buyer who is the one who has got the problem you have to talk about it with the processors and I don't have any problems there. It's always been sorted out amicably. I've never had to go to court for a... Oh I only did once in my life but that was a long, long time ago. But normally my disputes are sorted out amicably. I've never had one recently at all that I can't sort out no. It's always sorted out (Firm K – small agricultural manufacturer).

Table 3.7. Level of concern regarding trade issues 2018: Small business

Table 3.7. Level of concern regarding trade issues 2018: Small business



From a qualitative perspective:

Overall international competitiveness remains at the forefront, with small exporters having to think in terms of technology and innovation in product and processes, and supply chain solutions, because of their scarce resources, in order to develop the necessary capabilities to compete internationally. As a small firm, this seems to be possible for some but requiring enormous focus, often as survival rather than an option:

First, the focus on technology and innovation:

Our systems are state of the art, we've invested very heavily in technology for a company of our size and the resources we've got, we would be in the top ten and also probably our culture, we've got a culture of innovation in our business and a culture of ... because we've had to try and do things quicker, faster, cheaper with less resources, probably the less resources is the key, so we just can't hire people to do things, because we can't afford it, so we have to try and have a technology solution to ...

A simple example is we've got two people in the finance team and one of them spends all day reconciling invoices, logistics invoices is the big one, so you have a load that's got 20 cartons

on when we get the invoice, you've got a PDF, she's got to open it, she's got to check did that load actually go out, did it have 20 cartons are we being invoiced the correct weight, yes we are, we'll upload and we'll pay the invoice and so what we're doing is saying well that's what it takes, we need end of month to be done quicker, that's what takes most of our time is reconciling each of these invoices. So we went to our domestic freight provider and said this is a big transport company in Australia mind you, that moves millions of dollars, that bills millions of dollars a day in freight, we went to them and said do you think you could help us out by just giving us an extra spreadsheet that has these ten columns in uploaded into our system and then our financial, you know our junior accountant won't have to do all this data entry? "Oh I don't know if we can do it, no"! And I said "I'll pay for it"! And they said "We've got to bring in a developer"! And I said, "I'll give you up to \$1,000 to pay for the development but do you think you could please do this for us? Do this spreadsheet"?

Anyway, they said "OK, sure we'll do it"! Anyway, they're doing it for us and I said, "With respect, you know you're one of the biggest freight companies in Australia. Has no one ever asked you to do this before"? "No, no one, no one"! We're one of their smaller companies, that's extraordinary!!!

Second, focusing on supply chain and systems and processes:

Well we've had to do this because our back's against the wall, because we've got these huge import costs, huge [product input] costs, we've got no margins and we just had to find ways to economise, improve. I think broadly we've got consumers that are saying I am demanding that you tell me that the [products] that I eat are raised in a way that I think's suitable and so we've got to be thinking back to our supply chain and figuring out how we speak truthfully about these matters. So, it's a different way of thinking really. (Firm B – Small organic agricultural manufacturer).

Red tape continues to be a concern for all, and the top concern regarding trade issues for all businesses in 2018:

I think the government should be there as a support mechanism to assist businesses, particularly small businesses, we're probably a little bit different in our turnover and size but there is a role to play to open up markets, to open up basically I suppose, try and remove red tape (Firm A – Large agricultural manufacturer).

Commercial disputes can be minimized by communicating expectations to clients up front and inclusion of resolution clauses:

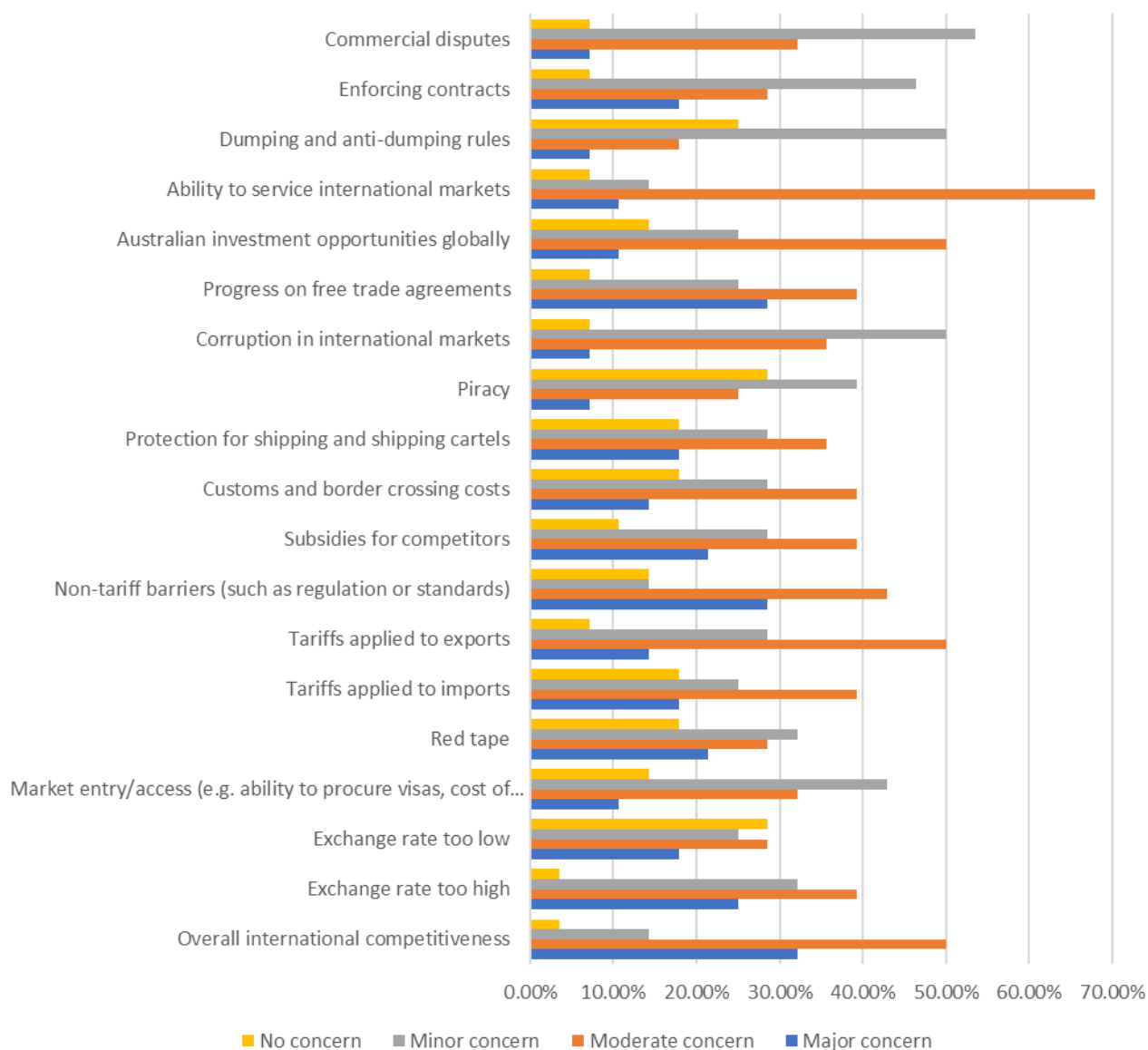
Yes, we do, we do have dispute resolution clauses and yes we have been involved in commercial disputes with organisations and ... It's interesting because typically, I'm just trying to think ... the biggest disputes has been with other educational institutions, particularly in developing countries whereby we basically say well here are the fees and the fees have to be paid up front. And, of course, they've got to charge their students, their students have got to pay them, and they don't have any money to pay us up front until the student fees come through and then they don't get the class size ... You know exactly what I mean ... they anticipate 20 in a class and only ten turn up and all of a sudden. But they still want the course to be delivered (Firm N – Medium professional service – education).

For medium size Australian businesses in 2018, the top three concerns regarding trade issues are somewhat different from those identified earlier for small businesses (Table 3.8). For medium businesses, overall international competitiveness (32.14%), non-tariff barriers (such as regulation or standards) (28.57%), progress on free trade agreements (28.57%) and a too high exchange rate (25%) are the top trade issues that they are concerned about (Table 3.8). Like businesses across all sizes, medium size Australian businesses have demonstrated varying levels of concern regarding all the trade

issues (Table 3.8) with the lowest level of their major concern being 7.14% equally for piracy, corruption in international markets and commercial disputes.

Table 3.8. Level of concern regarding trade issues 2018: Medium business

Table 3.8. Level of concern regarding trade issues 2018: Medium business



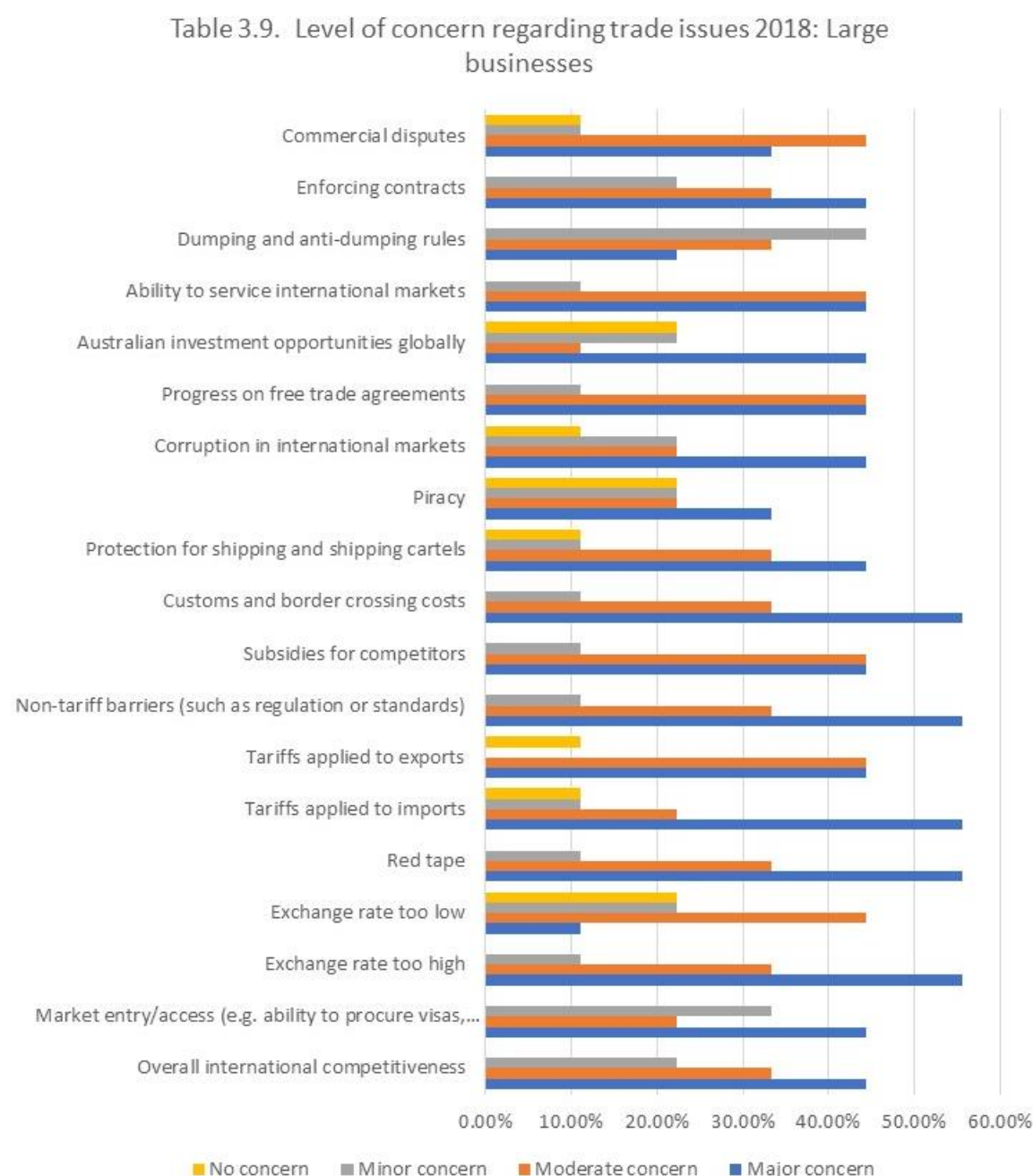
From a qualitative perspective:

The relatively high exchange rate is a concern, but managed with an extra margin to provide some stability for overseas customers:

Yeah, it does affect us not as much as you would expect, so sales won't drop off dramatically or increase dramatically. Quite often the exchange rate, we tend to look at it quite closely and when we do our pricing, we sell everything in Australian dollars, but shipping is all in US dollars, so when we're converting, we factor in a little bit extra because we figure our prices for 12 months, for export, so we factor in a little bit extra ... just say the dollar's at ... well I don't even know what it is at the moment. We've been working on about 70 cents exchange rate for about six months or so, and that just covers us so when it does drop, we will make a little bit of money for a while and then when it drops we'll lose a bit of money, so we're still even in the end, because our (trust funds?) want to see a fixed rate all the time. So, we fix it for 12 months or a fixed price going on the rate and that way ... and we just build in a little bit of fat with our freight so that we can adjust as required. (Firm C – Medium agricultural manufacturer)

Table 3.9 reveals that the top three trade issues that Australian large businesses have expressed their major concern over. This includes a too high exchange rate, non-tariff barriers (such as regulation or standards) and customs and border crossing costs, all of which are found to have a concern level of 55.56%. It is observed that 2016 is the third year overall international competitiveness remained the number one concern for large Australian businesses but in 2018, this was found to be the second major concern for them (44.44%). Large Australian businesses have shown the highest level of no concern (22.22%) regarding a too low exchange rate, piracy and Australian investment opportunities globally. The trade issues regarding which they have expressed a considerable level of moderate concern (each at 44.44%) include, a too low exchange rate, tariffs applied to exports, subsidies for competitors, progress on free trade agreements and commercial disputes. Their minor concern, which topped the level at 44.44% includes dumping and anti-dumping rules.

Table 3.9. Level of concern regarding trade issues 2018: Large businesses



From a qualitative perspective, lack of competitiveness can take the form of not being able to meet large overseas orders, especially from larger emerging markets in the Pacific Region:

Yeah, and look the vast majority of [xxx] sales in this country are fresh, so, anything in a supermarket or most restaurants will be fresh [xxx]. So clearly a distance, so we've also got another really bad entry barrier. So, we can get a better return here [domestically] than we can in the export market, whereby we're dealing with countries with much greater economies of scale (Firm A – Large agricultural manufacturer).

Exchange rates can also create added challenges:

Yeah, yeah. We'd be pretty happy if it went down to 60 cents... If it went to 60 cents, there's a chance we wouldn't supply more, I'm being facetious ... we're always going to support the domestic market, but it's just too risky... (Firm A – Large agricultural manufacturer).

Red tape is a continuing hassle, with concerns to try to remove it as much as possible:

Look, one area is the removal of red tape, yeah, I think that can be simplified and I think at the moment that most government departments have no idea about the red tape for most businesses, in terms of getting products into certain markets...(Firm A – Large agricultural manufacturer).

Commercial disputes, while as issue, can be managed appropriately through a third party:

Our CEO, and the fact that he's an accountant primarily and also an auditor, or a receiver really, so we sell all our debt to QBE Insurance, so the only way that we will trade with somebody is if they get credit that QBE has signed off on. Occasionally, it goes haywire, we've had one customer in the last 12 months who's defaulted, I think they owe us something like \$255,000 and we were insured for \$150,000, so it'll cost us, in real terms we'll lose about \$115,000 out of it, but at the same time across the board generally speaking, very few people get through the system without being checked properly...

Hardly at all because what they're doing is that these guys are experts in that they'll be checking their backgrounds out, they've got a resource network that's far better than what ours is, you know we've got a credit department that chases them but they haven't got the expertise to know where those companies are sitting viably or domestically our business things like that from an export perspective, we haven't got the means to really know (Firm A – Large agricultural manufacturer).

Trusted relationships is frequently discussed as a better approach to managing commercial disputes than more litigious approaches:

Oh, commercial disputes, relationships. I think I'm very lucky to have had, I don't know what would it be now, sort of 35 years almost of overseas travel and just experiencing my predecessor, the owner of the company as well, and we're very, I mean we're not perfect but we're very aware of the sorts of things that can go wrong and we try and keep on the front foot, so we communicate as well as we can with clients, we tell them ahead of time, we manage expectations, if something goes wrong we tell them immediately, we also tell them what we're doing about it. Yeah, it's all about relationship management. If we do a good job there and we communicate well, then I think that's helped minimise problems (Firm D – Large high-tech engineering manufacturer).

Incoterms can be another considerable challenge and potential risk without specific knowledge; electronic availability would help:

I am, with the earlier proviso that, if we could do everything electronically, that would be a tremendous lifesaver for us...INCOTERMS. I must admit I've been working with INCOTERMS for quite a number of years and it can sometimes be a bit of a black art for me, so we're not perfect at covering ourselves every time, so we have shipping insurance that we take out, commercial that covers all our shipments and then, of course, we get a whole variety of requests for different INCOTERMS from overseas, our first response was to limit our quotations into only two or three INCOTERMS, so if they ask for FOB, BIC, for something going to a difficult location, then we will tend to quote back to them CIS or CIP by Air, going to their international airport and nine times out of ten, they go with that and we don't get questioned about it, like, that's good for us and then we get limit our risk. Occasionally we get a request where they would prefer to go another way, FOB or something and then, of course, we'll try and work with that but, yeah, we don't perfectly cover our risk in every case. (Firm D – Large high-tech engineering manufacturer).

3.2. LEAST IMPORTANT TRADE ISSUES

Regarding trade issues that were not a concern, nearly all businesses surveyed (88.88 per cent) in 2018 stated the migration levy was of minor or no concern (Table 3.10). This issue was not considered a least important issue in 2014, 2015 and 2016 results. The top five issues considered not important did not remain the same as previous years. For example, in 2018 the top five least important trade issues included the migration levy, skilled migration, regional dispersal, commercial disputes and too low exchange rate. Compared to 2016 results, while low exchange rate remained, it dropped a place in 2018, to the fifth least concerning issue. While commercial disputes rose from fifth place in 2016 to fourth place in 2018, as the least concerning issue. Dumping and anti-dumping rules, piracy and protection for shipping and shipping cartels were removed from the top five unimportant issues in the 2018 results, suggesting these became more important issues in 2018. Instead, the migration levy, skilled migration and regional dispersal were added for the first time to the top five unimportant issues for the 2018 results.

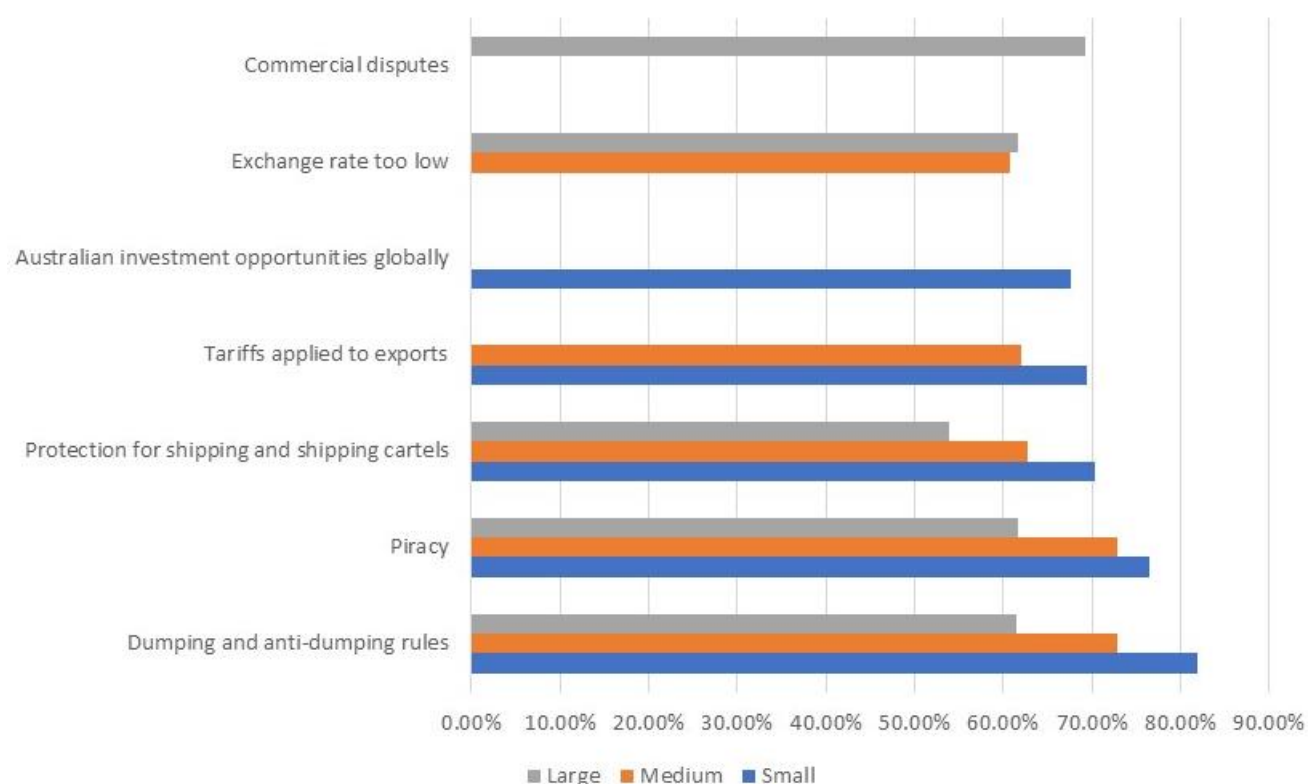
Table 3.10. Top five trade issues* considered the least important (2014-2016-2018)

	2018	2016	2015	2014
1	Migration levy (88.88%)	Dumping and anti-dumping rules (77.1%)	Piracy (77%)	Piracy (76.6%)
2	Skilled migration (77.78%)	Piracy (73.5%)	Dumping and anti-dumping rules (69.3%)	Dumping and anti-dumping rules (63.2%)
3	Regional dispersal (66.66%)	Protection for shipping and shipping cartels (66.3%)	Protection for shipping and shipping cartels (61.6%)	Exchange rate too low (60.3%)
4	Commercial disputes (62.97%)	Exchange rate too low (62.1%)	Exchange rate too low (60%)	Australian investment opportunities globally (56.9%)
5	Exchange rate too low (62.97%)	Commercial disputes (60%)	Australian investment opportunities globally (58%)	Protection for shipping and shipping cartels (56.7%)

* Based on the total percentage of minor and no concern

Table 3.11. Top five trade issues 2018 considered the least important according to firm size*

Table 3.11. Top five trade issues 2018 considered the least important according to firm size*



* Based on the total percentage of minor and no concern

Regarding firm size comparisons, small and medium sized firms stated dumping and anti-dumping rules to be their least important issue, whereas large firms listed commercial disputes to be the least important (Table 3.11). Piracy and protection for shipping and shipping cartels were also listed in the top five by all firm sizes, whilst dumping and anti-dumping rules and protection for shipping and shipping cartels were also among the top five least important issues for large businesses, in fourth and fifth place, respectively, for 2018. The top five trade issues considered least important across firm sizes are shown in Table 3.11.

3.3. SUMMARY

For the fourth consecutive year, international competitiveness has been revealed as one of the top trade issues for international traders in Australia, across all business sizes.. However, while this was the top trade issue for the last three years, in 2018 it was replaced with international product development as the top issue (77.78%) facing all business sizes. International competitiveness is now in third place, with the ability to service international markets now more pressing, at second place for all business sizes in goods and services, replacing red tape. Regional connectivity and exchange rates are fourth and fifth top trade issues for 2018. The concerns with new product development and ability to service international markets in the face of such intense global competition, is providing a more concerning picture overall, than the previous three years.

In light of the above, the following recommendations are made:

Recommendation 5:

The Australian Government should commit to improving Australia's international competitiveness, with particular focus on improving imports and exports as a percentage of GDP, especially for smaller firms.

Recommendation 6:

The Australian Government should streamline procedures and processes, including reducing red-tape and providing a more integrated, and convenient application of online services related to international trade.

Recommendation 7:

The Australian Government should harmonise the rules of origin across trade agreements.

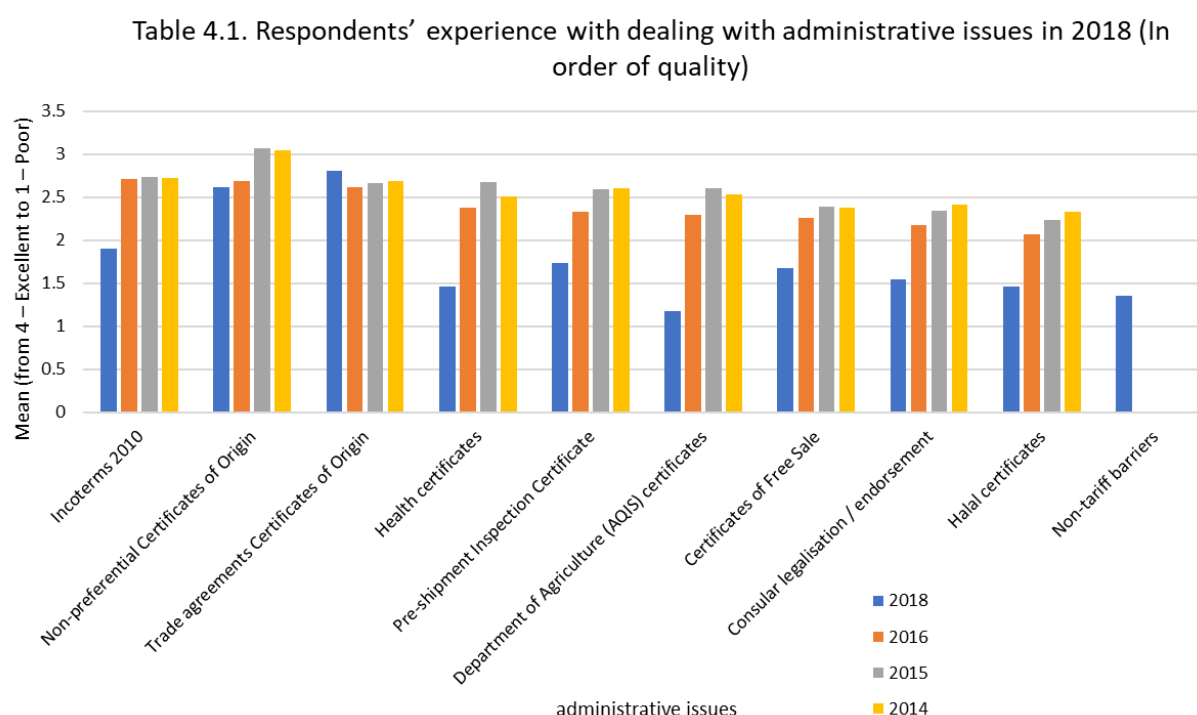
4. TRADE ADMINISTRATION

4.1. ADMINISTRATIVE ISSUES

Respondents were asked to rate their experiences of dealing with various forms of trade administrative issues. The most positive experience overall related to trade agreements certificates of origin (2.81 out of 4.00) and non-preferential certificates of origin (2.61 out of 4.00) (Table 4.1). But in 2016, the most positive experience overall related to Incoterms 2010, with a mean value of 2.71 (out of 4.0) and over 60 per cent of businesses stated it is either 'excellent' or 'good'. This was followed by non-preferential certificates of origin, with a mean value of 2.69 out of 4.00 and trade agreements certificates of origin, with a mean value of 2.61 out of 4.00. In 2018, the most negatively ranked administrative issue was Department of Agriculture (AQIS) certificates (1.18 out of 4.00) followed by non-tariff barriers (1.36 out of 4.00).

Compared with the 2014, 2015 and 2016 results, Incoterms 2010 moved down two places, making it between a less than "good" and higher than "poor" experience. Most notably, despite the ranking of all listed issues, except for trade agreements certificates of origin the mean values of all listed issues of 2018 were lower than those of 2014, 2015 and 2016. This suggests that the quality of all administrative issues need to be improved in order to enhance business satisfaction.

Table 4.1. Respondents' experience with dealing with administrative issues in 2018 (In order of quality)

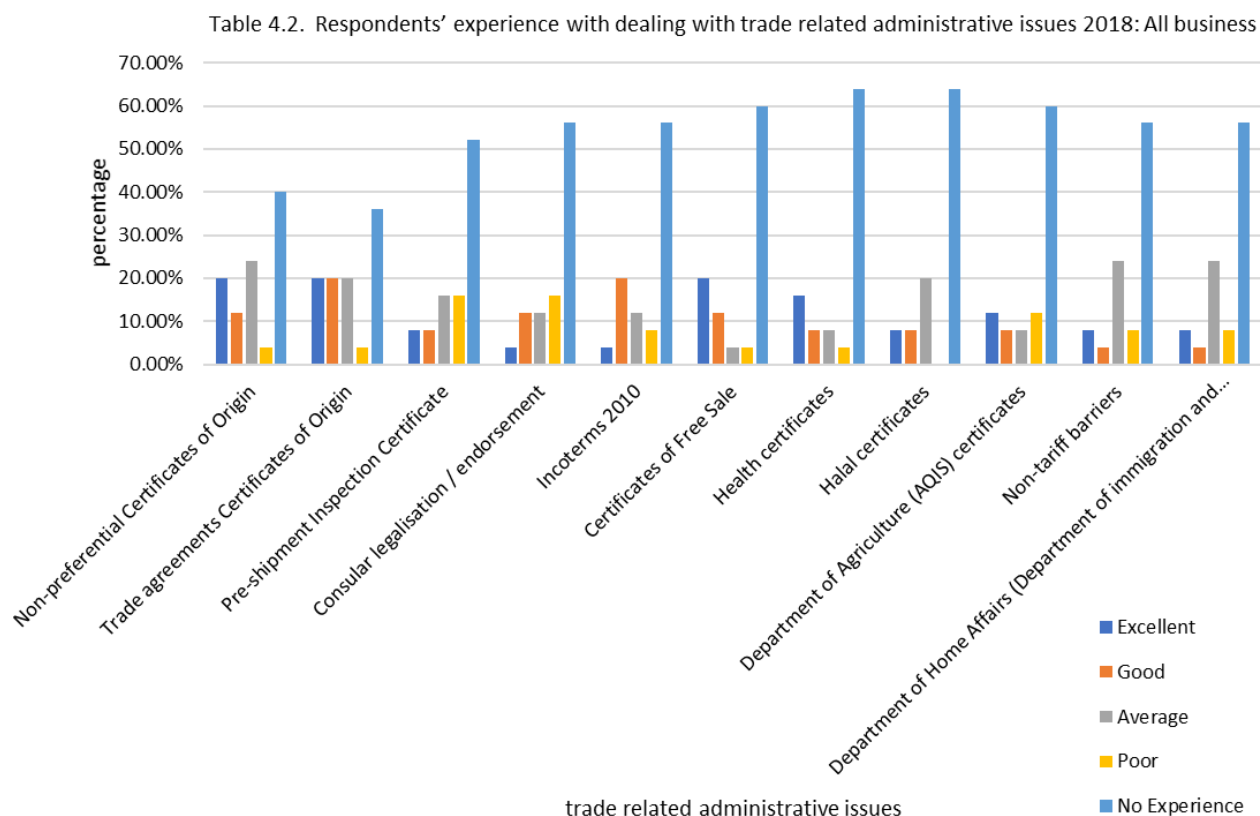


With regard to experience with dealing with trade related administrative issues, the majority of all businesses rated non-preferential certificates of origin, trade agreements certificates of origin, certificates of free sale, health certificates and Department of Agriculture (AQIS) certificates as 'excellent' or 'good' (Table 4.2). A higher number of respondents also rated their experience as "poor" with pre-shipment inspection certificate (16.00%), consular legalisation/endorsement (16.00%) and Department of Agriculture (AQIS) certificates (12.00%).

Also, a very high percentage of respondents have had "no experience" with the following trade related administrative issues: Incoterms 2010 (56.00%), certificates of free sale (60.00%), health certificates

(64.00%), halal certificates (64.00%) and Department of Agriculture (AQIS) certificates (60.00%), among others.

Table 4.2. Respondents' experience with dealing with trade related administrative issues 2018: All business

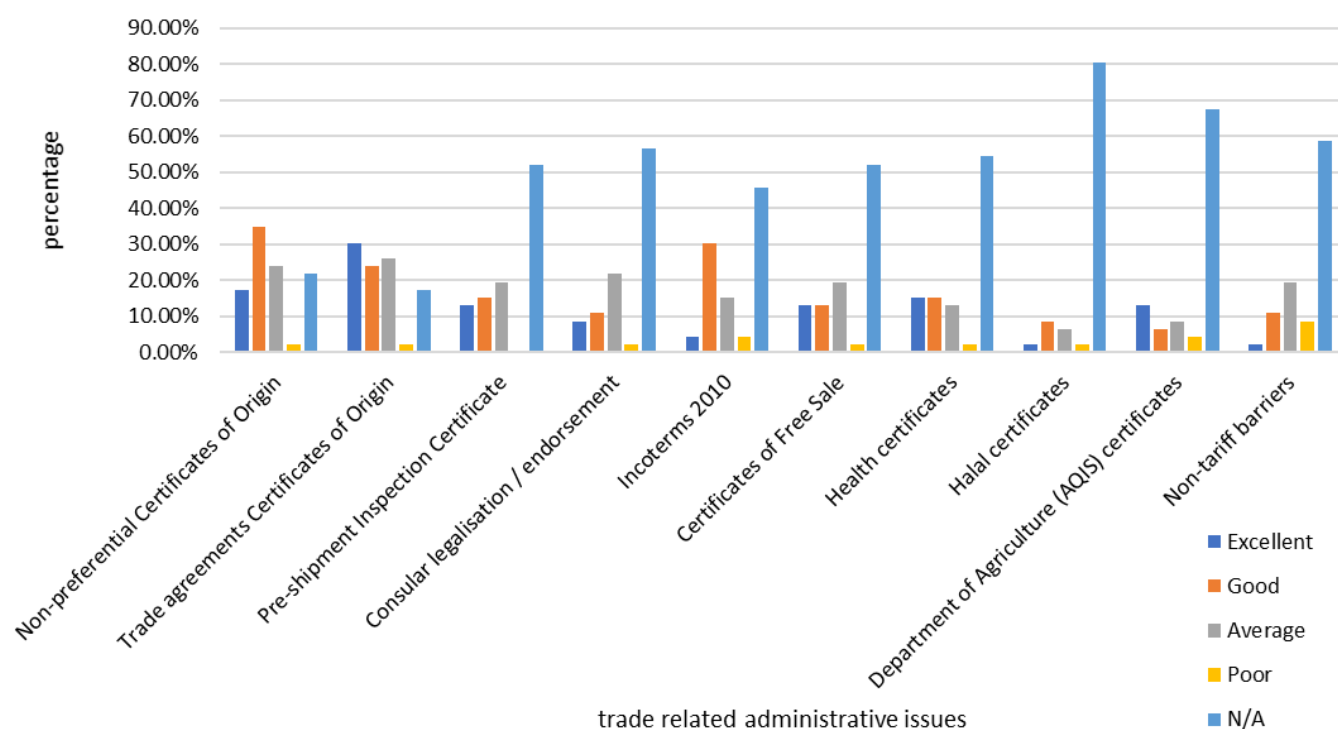


The majority of the small businesses rated trade agreements certificates of origin, non-preferential certificates of origin, pre-shipment inspection certificate, health certificates, certificates of free sale and Department of Agriculture (AQIS) certificates as 'excellent' or "good" (Table 4.3). The results are similar to those we identified earlier for all businesses.

For small businesses, the poorest experience they have had with trade related administrative issues include non-tariff barriers (8.70%), Incoterms 2010 (4.35%) and Department of Agriculture (AQIS) certificates (4.35%). A large percentage of small businesses (between 36.00% and 64.00%) did not have experience dealing with any of the trade related administrative issues (Table 4.2).

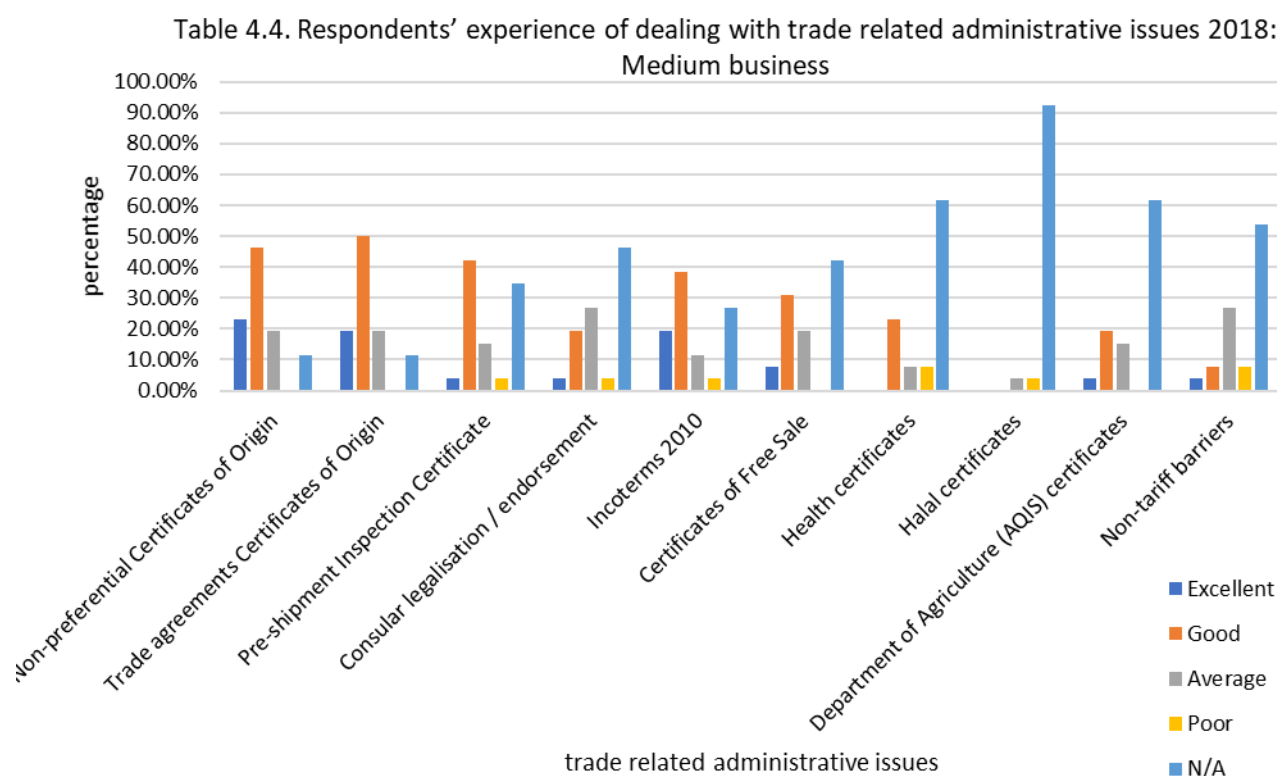
**Table 4.3. Respondents' experience of dealing with trade related administrative issues 2018:
Small business**

Table 4.3. Respondents' experience of dealing with trade related administrative issues 2018: Small business



Most medium sized businesses stated that have had “excellent” experience with non-preferential certificates of origin (23.08%), trade agreements certificates of origin (19.23%) and Incoterms 2010 (19.23) (Table 4.4). As many as 50.00% of respondents said that they have had a “good” experience with trade agreements certificates of origin, whilst 46.15% of them had the same experience with non-preferential certificates of origin, and 42.31% had the same experience with pre-shipment inspection certificate. Respondents have had the poorest experience with health certificates (7.69%) and non-tariff barriers (7.69%). Also, a very high percentage of respondents have had no experience with halal certificates (92.31%), health certificates (61.54%), Department of Agriculture (AQIS) certificates, non-tariff barriers (53.85%), consular legalisation/endorsement (46.15%) and certificates of free sale (42.31%).

Table 4.4. Respondents' experience of dealing with trade related administrative issues 2018: Medium business



From a qualitative perspective:

Non-preferential Certificates of Origin:

Oh, yeah, it's easy, we use an Australian business here in Sydney and I'll give them a brilliant plug, we will email them the filled in certificate of origin and as long as they've got it by 4.30 in the afternoon we will have it in the mail by next day... Yeah, and they are extremely good and there's probably three or four of them there and they're all as good as each other, [e.g.] Australian Business Chamber. (Firm C – Medium agricultural manufacturer).

Another administrative issue relates to the Department of Agriculture (AQIS) certificates, which is fine overall, but needs to include more staff training around some of the basics as well as more technical areas:

The departments we use, when you actually get to speak to them they are wonderful, very helpful. We have inspectors that come down to us from Newcastle every week and they are always very helpful, and they go out of their way to help. We deal with some ones in Sydney, the same department of Ag but a different section, they're extremely helpful but we have to deal with because they've ... to get the certificates we need from our weekly inspections we have to go to what they call a hub, so we email the documents off to just a centralised email address and anyone in Australia can access those documents and do them. Not that they're not helpful, they are quite helpful but not as helpful as that personal touch if you know what I mean, it's a good idea in theory and it mostly works well but then we get times that it doesn't.

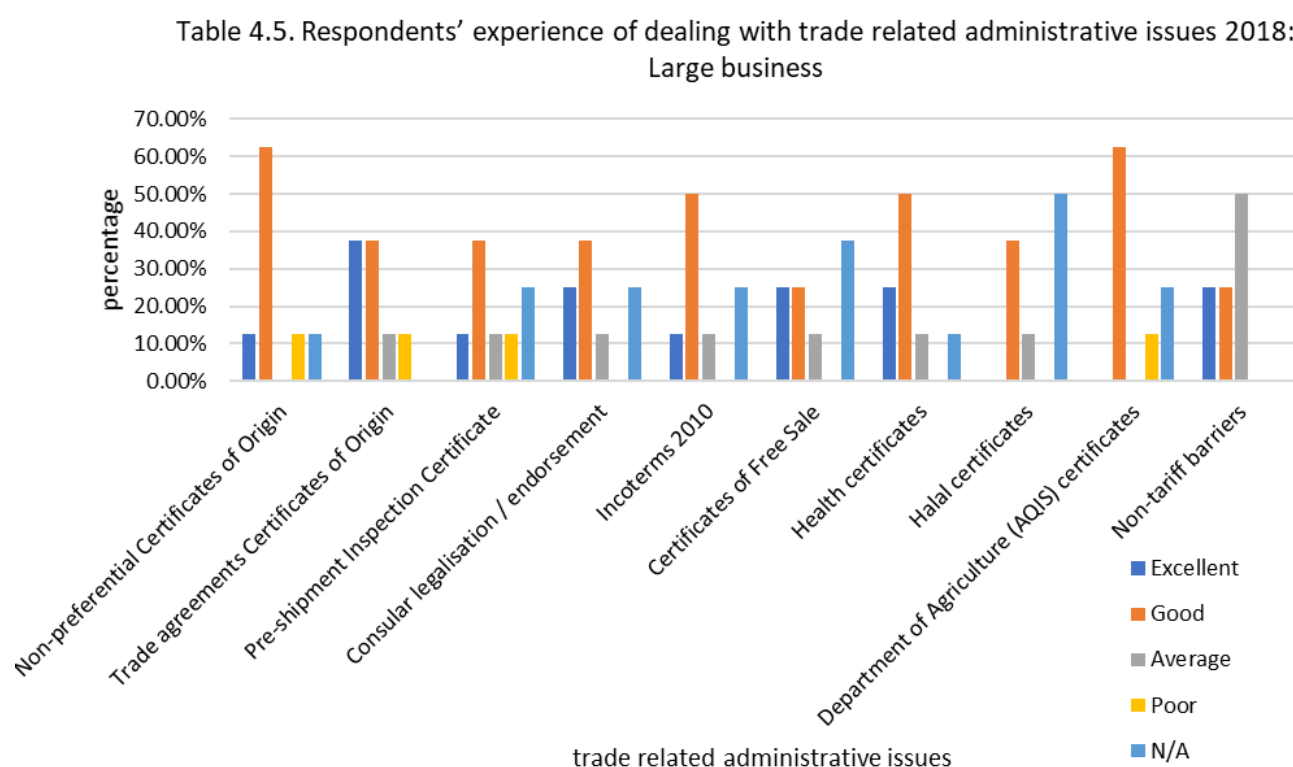
And one of the issues I have,...the people that are reviewing documents like declarations and manufacturers and inspection records and things like that, so it's very, like you really have to be able to read everything, understand, comprehend what's being written and say 'yes this is all

correct' as per these requirements and I'm finding that there is some people,...but don't seem to have basic English comprehension and it's a job that needs...comprehension of the English language and written English too, not spoken English they need the written English comprehension, and it seems that sometimes...Need to make sure that they are capable of doing that job. (Firm C – Medium agricultural manufacturer).

For large Australian businesses, the higher percentages of “excellent” experience they have had dealing with trade related administrative issues such as trade agreements certificates of origin (37.50%), consular legalisation/endorsement (25.00%), certificates of free sale (25.00%), health certificates (25.00%) and non-tariff barriers (25.00%) (Table 4.5). Trade related issues like non-preferential certificates of origin, health certificates, Department of Agriculture (AQIS) certificates and Incoterms 2010 have received higher percentages of “good” rating from the respondents, respectively at 62.50%, 62.50% and 50.00%.

Respondents equally rated their experience as “poor” with non-preferential certificates of origin, trade agreements certificates of origin, pre-shipment inspection certificate and Department of Agriculture (AQIS) certificates, 12.50% each. The highest percentage of not-applicable experience they had with halal certificate (50.00%), followed by certificates of free sale (37.50%).

Table 4.5. Respondents' experience of dealing with trade related administrative issues 2018: Large business



4.2. SUMMARY

The results show that across respondents, the most positive experience overall related to trade agreements certificates of origin (2.81 out of 4.00) and non-preferential certificates of origin (2.61 out of 4.00) (Table 4.1). This was different from 2016, where the most positive experience overall related to Incoterms 2010, with over 60 per cent of businesses stated it is either ‘excellent’ or ‘good’. This was followed by non-preferential certificates of origin, and trade agreements certificates of origin. In 2018,

the most negatively ranked administrative issue was Department of Agriculture (AQIS) certificates followed by non-tariff barriers.

Compared with the 2014, 2015 and 2016 results, Incoterms 2010 moved down two places, making it a between less than “good” and higher than “poor” experience. Despite the ranking of all listed issues, except for trade agreements certificates of origin, all listed issues of 2018 were lower than those of 2014, 2015 and 2016. This suggests that the quality of all administrative issues is perceived as declining and needs to be improved in order to enhance business satisfaction.

From a qualitative perspective:

Recommendations were offered by respondents on improvements in coordination required from the Department of Agriculture in terms of documentation, to provide a more customer-oriented approach:

I would prefer that, specifically for us, anything to do with the Department of Agriculture documentation and certification requirements that when they make a change, or just to review it- but review it looking at how the shipping lines work, and the transport companies work, cause they don't seem to look at the big picture, they just look at this is what the Department of Ag needs, to comply with other countries. But they don't then look at how that will fit in with all the other industries that are involved in getting that shipment from here to overseas.

And quite often, yeah they don't look at the big picture and quite often it's a bit of a clash and it might be a lot of these things are fine for people from companies that are in Sydney and the wharf's half hour away and it's right there and that's all fine, we're a couple of hours north of Sydney so it takes our trucks a couple of hours to drive down there but that's just ... you know to drive down there and get an empty container and bring them back here and have to store it for a couple of days till we can pack it, little things like that they don't seem to look at. (Firm C – Medium agricultural manufacturer).

In light of the discussion, the following recommendations are made:

Recommendation 8:

Comprehensive trade training around export readiness (which includes Incoterms 2010 and Certificates of Origin procedures), and ongoing business growth, through business development and new product development for small and medium sized businesses should be made available and supported by the Federal Government.

Recommendation 9:

The Australian Government should coordinate training to help redress concerns regarding new product development and ability to service international markets. Such training support should help to reduce the amount of risk taken on by exporters and importers and improve the likelihood of overall international competitiveness.

5. UTILISATION OF SUPPORT INITIATIVES

Respondents were asked about the frequency they used various trade support initiatives. These initiatives included the Export Finance and Insurance Corporation (EFIC), Export Market Development Grant (EMDG), Austrade, State Government Trade Promotion Agency, and Chambers of Commerce or Industry Associations. Similar to the 2014, 2015 and 2016 results, overall, the majority of businesses stated that they 'rarely' or 'never' used such services (Table 5.2). For example, 68.00% of businesses never used EFIC and 52.00% of businesses had never used State Government Trade Promotion Agency.

The usage of all the support initiatives decreased in 2018 compared to 2016, 2015 and 2014 (Table 5.1). Similar to the finding in 2016, Chambers of Commerce or Industry Associations received the highest utilisation rate in 2018 (24.00%). The above results strongly suggest the view that businesses were either not aware of the trade support initiatives available to them, they did not address their needs, or the benefits businesses gained from these services did not compensate for the costs involved.

Table 5.6. Utilisation of trade support initiatives – Total of 'Always, often and sometimes' frequencies for 2014-2018

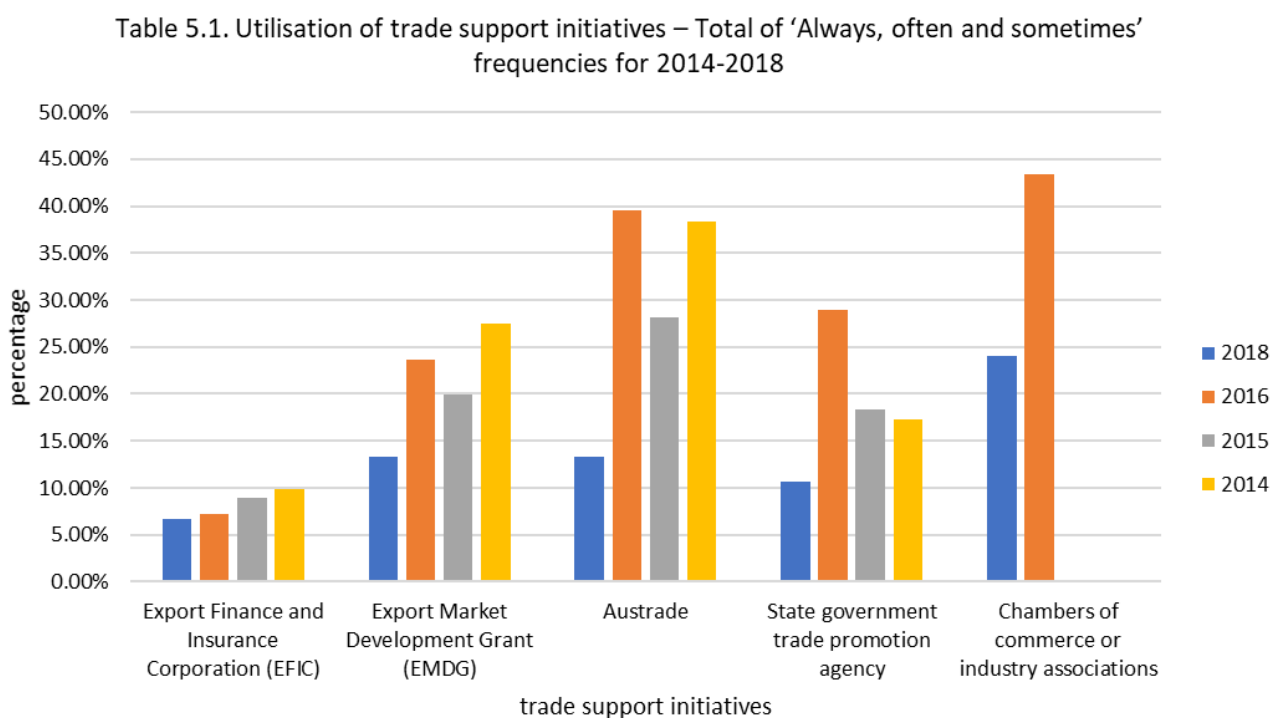
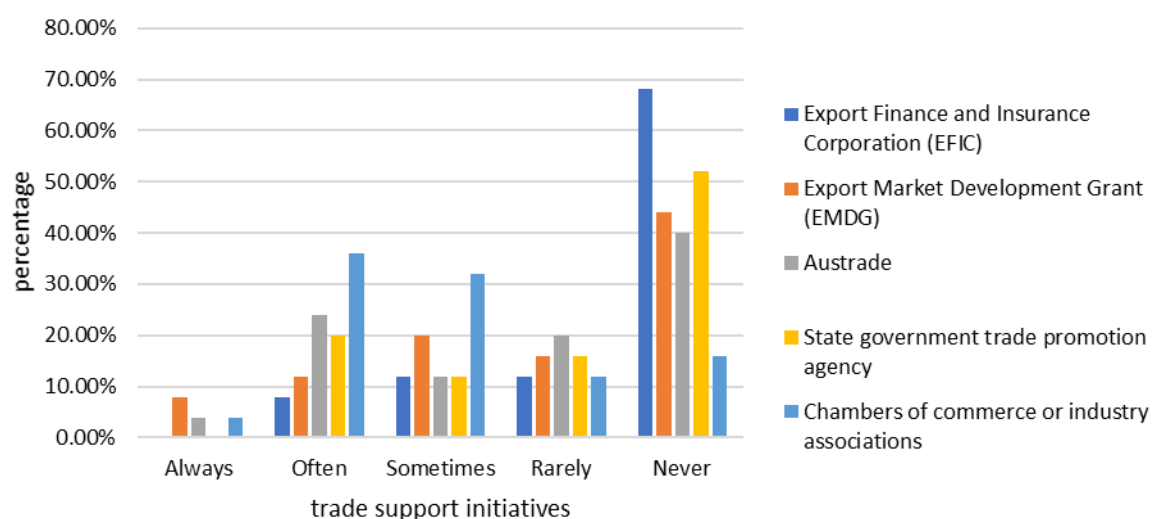


Table 5.7. Utilisation of trade support initiatives 2018: All business

Table 5.2. Utilisation of trade support initiatives 2018: All business



Regarding firm size variation, Chambers of Commerce or Industry Associations were utilised the most and EFIC was utilised the least by all firm sizes (Tables 5.3, 5.4 and 5.5). Whilst large firms utilised Chamber of Commerce or Industry Associations more than small and medium sized firms, small sized firms utilised EFIC less than medium firms. But large sized firms never utilised EFIC (Table 5.5).

Table 5.8. Utilisation of trade support initiatives 2018: Small business

Table 5.3. Utilisation of trade support initiatives 2018: Small business

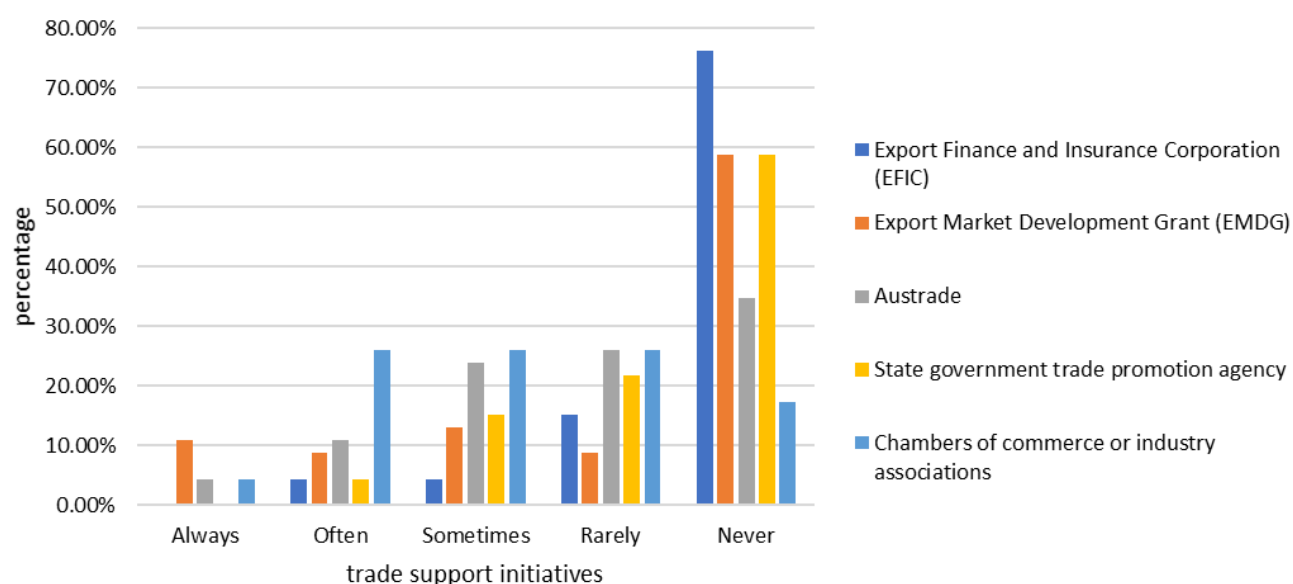


Table 5.9. Utilisation of trade support initiatives 2018: Medium business

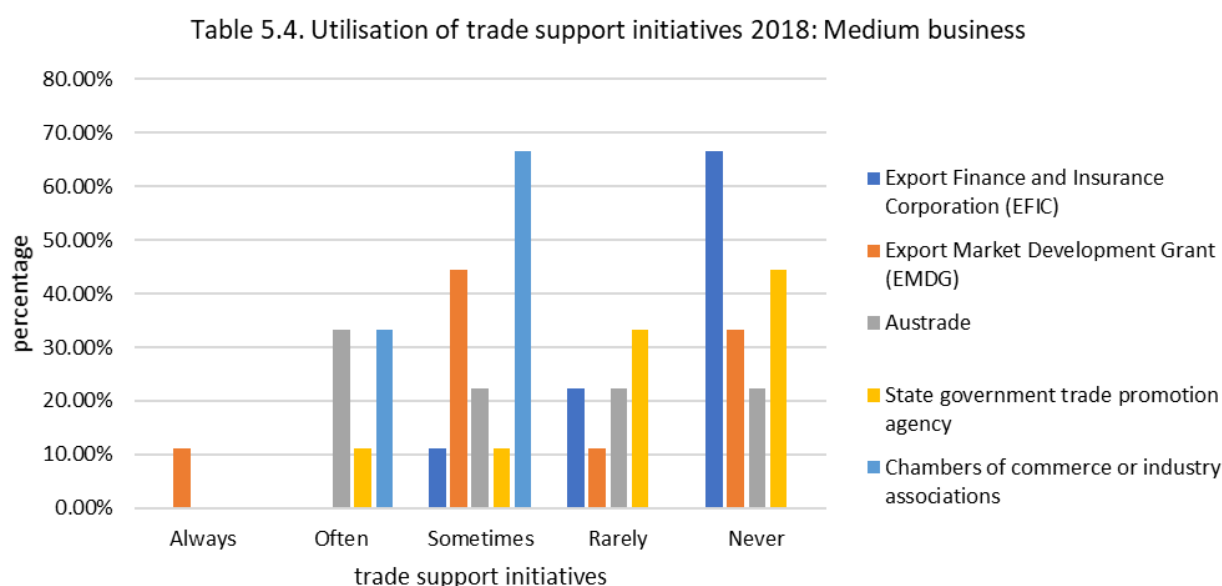
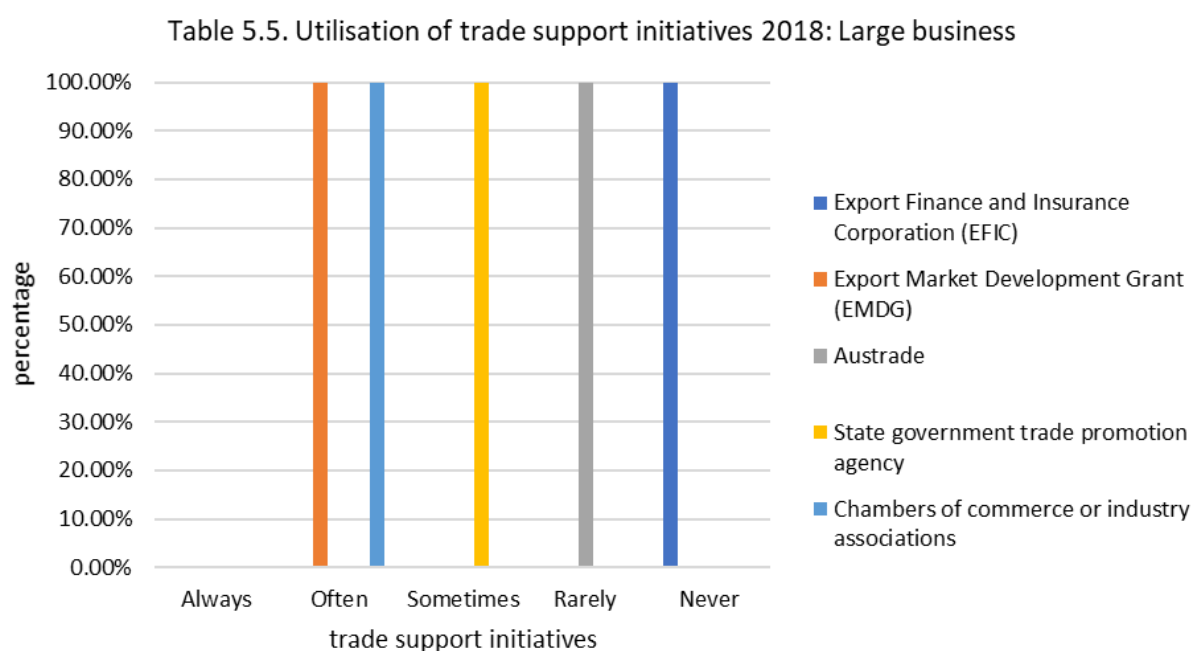


Table 5.10. Utilisation of trade support initiatives 2018: Large business



According to the qualitative findings, many managers believed:

That the Export Finance and Insurance Corporate (EFIC), while offering a potentially excellent service is largely perceived as unnecessarily bureaucratic and complicated and in need of adaptation:

No, it wasn't DFAT, there was another government R&D programme this was a domestic programme, this was not for export per se, it's more about helping us design and develop our crafts here, I mean, but I can't quite remember the programme, we haven't utilised that in the last 18 months, but in the next financial year I think we'll probably dip our toes in again, there's a programme called EFIC which is an export funding facility...

Now, we've never used it and we've not used it because we've never really been happy with their training terms to be honest, they seem to promote the availability of funds for export programmes and so on, but then it seems bureaucratic and it seems expensive and we've

never availed ourselves of that facility and we're unlikely to in its present form. (Firm D – Large high-tech engineering manufacturer).

5.1. SUMMARY

The results continue to show that overall, the majority of respondents 'rarely' or 'never' used trade support services. Initiatives included the Export Finance and Insurance Corporation (EFIC), Export Market Development Grant (EMDG), Austrade, State Government Trade Promotion Agency, and various Chambers of Commerce or Industry Associations. Consistent with the 2014, 2015 and 2016 results, overall, the majority of businesses stated that they 'rarely' or 'never' used such services. For example, 68.00% of businesses never used EFIC and 52.00% of businesses had never used state government trade promotion agency.

The usage of all the support initiatives decreased in 2018 compared to 2016, 2015 and 2014 (Table 5.1). Similar to 2016, Chambers of Commerce or Industry Associations received the highest utilisation rate in 2018 (24.00%). The above results strongly suggest that businesses were either not aware of the trade support initiatives available to them, they did not address their needs, or the benefits businesses gained from these services did not compensate for the costs involved. The qualitative findings indicated all three reasons were plausible.

In light of the above, the following recommendations are made:

Recommendation 10:

More trade support should be focused on the pre-export readiness phase of business, whereby suitable businesses are able to access training and support to develop an international market strategy and new product development, across a more diverse range of countries.

Recommendation 11:

Trade support related to new business opportunities needs to be timely, and directed through to industry and sector associations where it can be more quickly implemented.

Recommendation 12:

Great coordinated effort should be made by government to minimise unnecessary compliance, complexity and duplication associated with trade support and grants. It needs streamlining and clearer communication channels, especially to smaller firms

Recommendation 13:

Greater coordinated effort should be made by government to create awareness of what services they actually provide. This information should be better communicated online with longer lead times on training programs, events and networking opportunities, to enable smaller firms in particular, to schedule and plan ahead.

Recommendation 14:

Government agencies should work more closely with Chambers of Commerce to provide a seamless package of support measures for exporters.

Recommendation 15:

Government should not raise a fee for service charge. Commercial service offerings should be left to the commercial sector, and Government delivery should be minimised. Chambers and other providers offer commercial support services and Austrade and other agencies should refer clients on once the client needs more specific support, which needs to be streamlined further to reduce unnecessary cost. Greater use of the internet and online modules to supplement face-to-face training support is needed, which again, should be focused on reducing cost, especially for smaller firms.

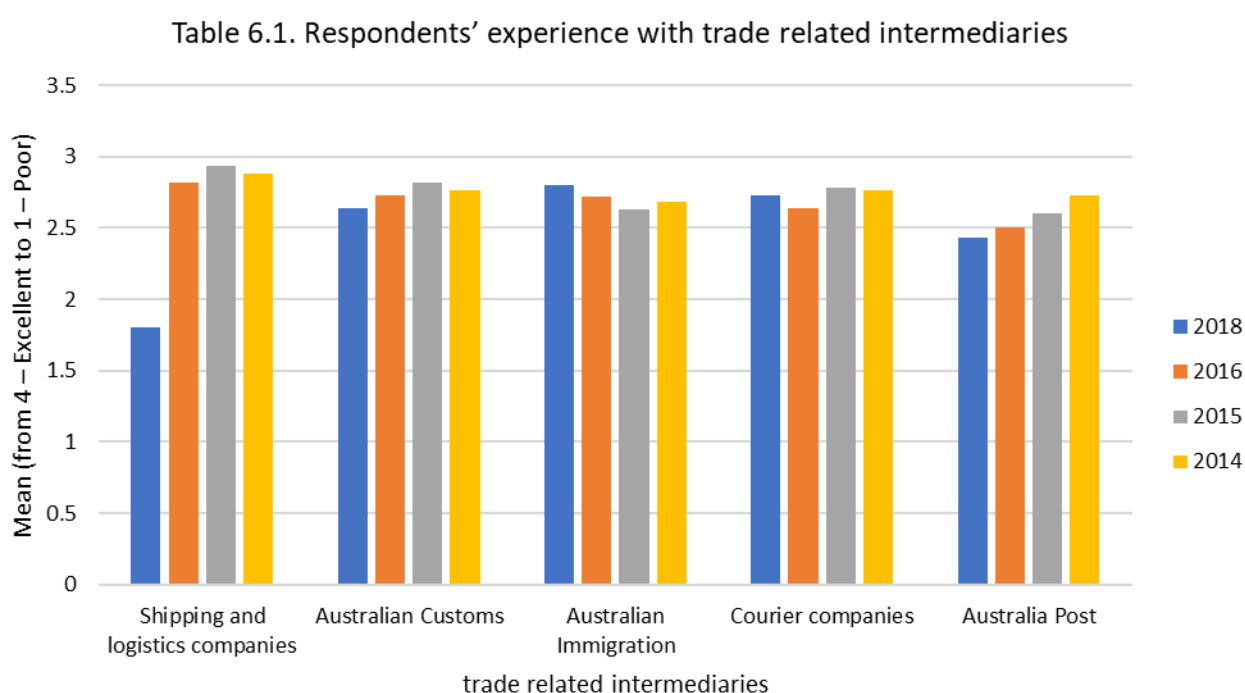
6. EXPERIENCE WITH INTERMEDIARIES

Australian firms engaged in international business normally interact with a wide range of intermediaries such as Australian Immigration, courier companies, Australian Customs, Australia Post, and shipping and logistics companies. As such, businesses were asked to rate their experience with these five intermediaries.

Overall, Australian Immigration was rated the highest with a mean value of 2.80 (out of 4.00) (Table 6.1) and nearly three quarters of respondents (70.00 per cent) stated their experience with shipping and logistics companies to be either 'good' or 'excellent' (Table 6.2). This was followed by courier companies with a mean value of 2.73 and 66.25 per cent of businesses rated this intermediary to be either 'good' or 'excellent'. The results are mostly in line with the 2014, 2015 and 2016 results where shipping and logistics companies and Australian Customs were ranked the highest and second highest. However, in 2018, the intermediary to receive the lowest rating was shipping and logistic companies with a lowest mean value of 1.8.

Table 6.1. Respondents' experience with trade related intermediaries

(In order of quality 2018)



From a qualitative perspective:

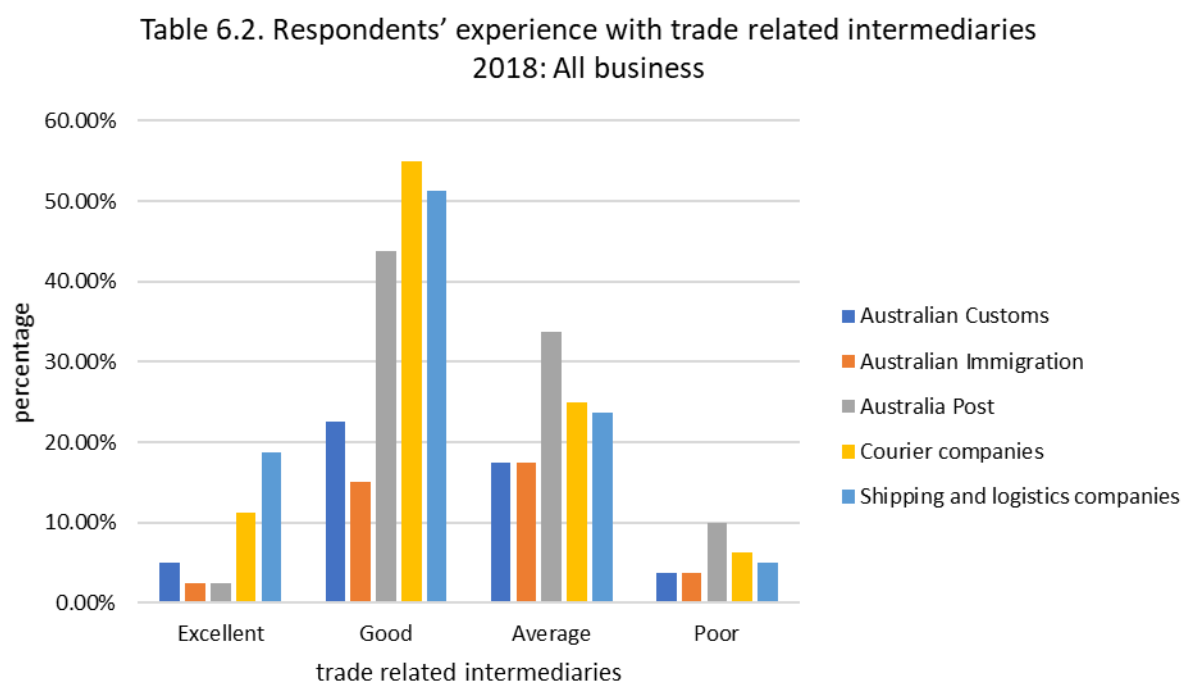
Red tape (associated with customers) is regarded as excessive and is adding to the frustrations of many smaller exporters, already constrained by time:

I think the best way they can assist is reducing red tape, and even that red tape through Customs. I mean sometimes we have stuff that gets stuck in Customs because of staff. And people tick the wrong box when it's being dispatched and so it just sits there for a couple of days and then the local Customs will threaten to send the goods back because a particular duty hasn't been paid and these sort of red tape issues that get in the way of doing quick business, you know. But other than that, I think that's what the government should focus on just reducing red tape (Firm F – Small high tech equipment manufacturer – mining sector)

In addition, a range of what appears to be ad hoc decisions around import and export duties is also creating extra work and time for smaller exporters:

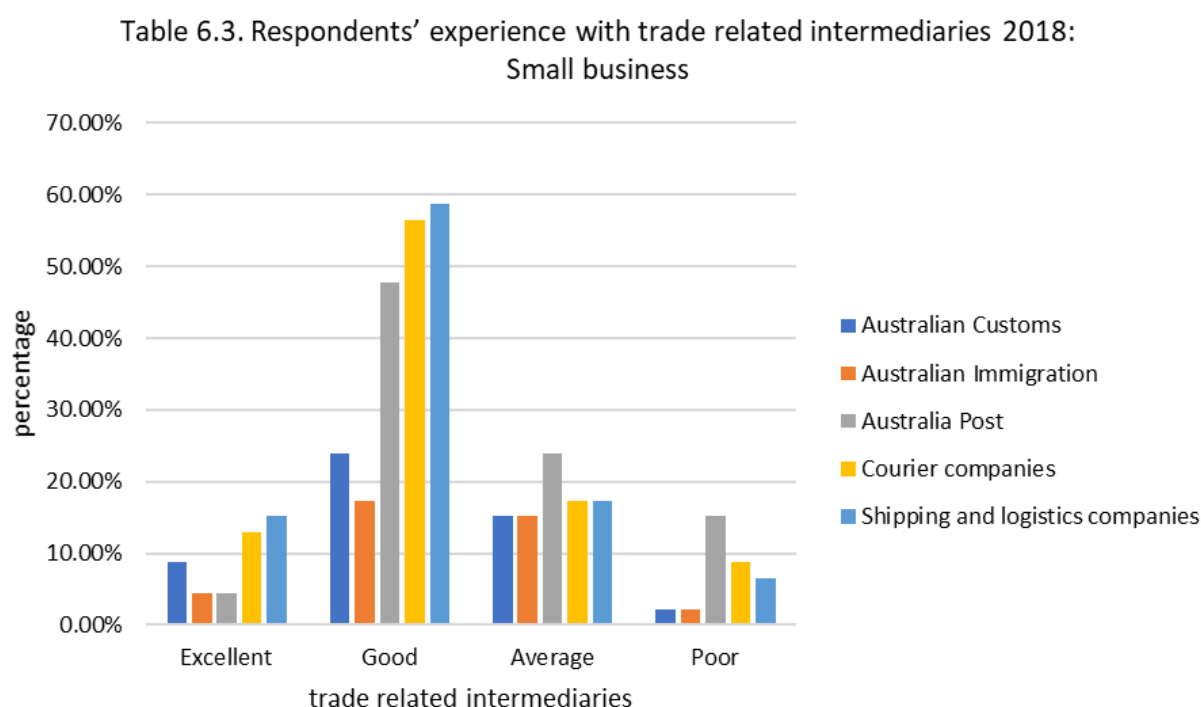
It would be ideal if there was no import duties or export duties, so free trade, but free trade means free trade until something ... This particular product there's a 3% tax on, this particular product there's a 9% tax on, or you have to use this cost code to this product so you can assign it to a particular tax rate! That sort of stuff generates time for us and it's confusing for the end user. Just the tax in general the import and export it's just painful!!! (Firm F – Small high tech equipment manufacturer – mining sector).

Table 6.2. Respondents' experience with trade related intermediaries 2018: All business



With regard to firm size comparisons, the majority of all businesses rated their experiences with trade related intermediaries to be 'good' across all listed intermediaries (Table 6.3). Medium sized businesses tended to be more satisfied with the services provided by the intermediaries compared to small and large sized businesses. For example, no 'poor' category was rated by medium sized businesses for Australian Customs, Australian Immigration and shipping and logistic companies (Table 6.4). Most notably, whilst Australia Post received the greatest proportion (15.22%) of 'poor' ratings by small sized businesses, medium and large sized businesses rated their experiences with Australia Post to be positive by the measure of 'good' and 'average' categories. Interestingly, large sized businesses rated their experiences with courier companies at a level of 100% satisfaction, measured by adding the proportions for 'excellent' and 'good' categories (Table 6.5).

Table 6.3. Respondents' experience with trade related intermediaries 2018: Small business



From a qualitative perspective:

Customs and border crossing costs, while complicated can be made easier with the establishment of good contacts and working relationships:

Yeah, fairly good, because, you know, most of our guys ... customs are (actual?) guys, we don't, we don't have issues with that, that's been quite good, the import side of it because we do import products as well, our agents, our shipping agents actually deal with all the customs and they're fairly good, whenever we've had to redo import payments, they're all pretty good, they give us plenty of notice, you know, when their systems have changed they have actually given quite a bit of notice saying our systems ... I think when they went to bio security a year or so ago, they said the systems were changing and it would take a lot longer to get these input payments in place and gave her the heads up to do that... Yeah, generally yeah. I mean you'll always have someone that you deal with that's not but on the whole they're pretty good (Firm C – Medium agricultural manufacturer).

Table 6.4. Respondents' experience with trade related intermediaries 2018: Medium business

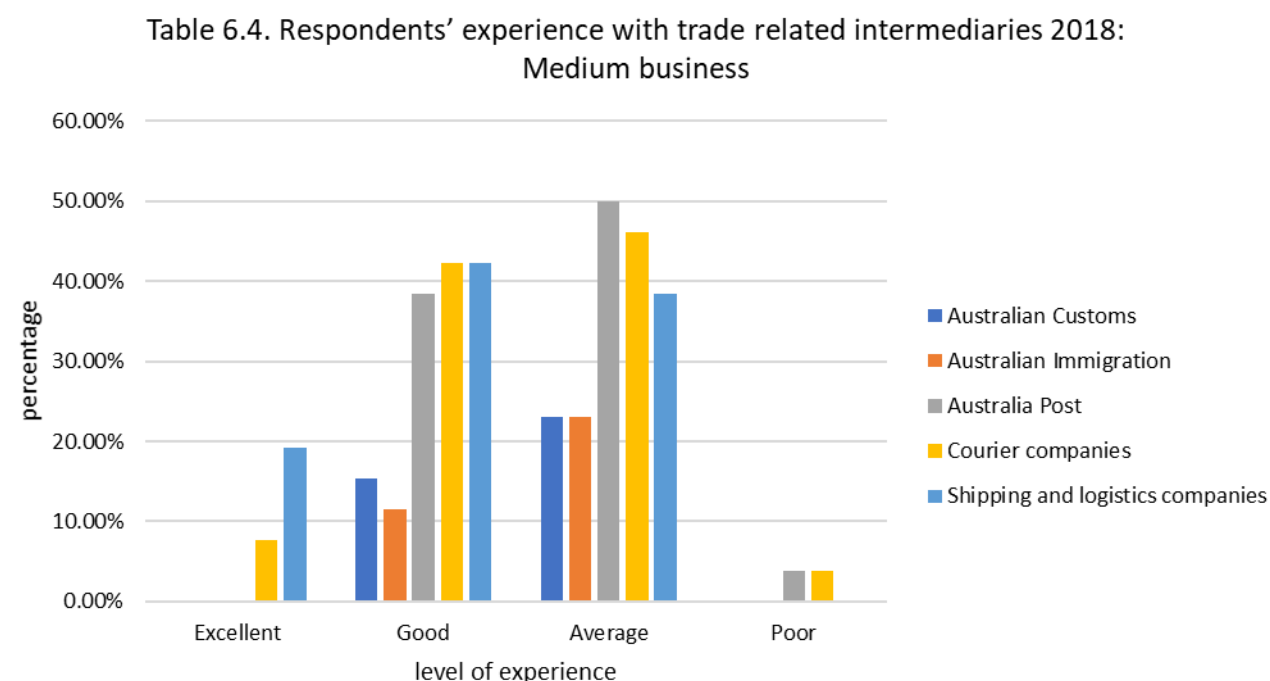


Table 6.5. Respondents' experience with trade related intermediaries 2018: Large business



6.1. SUMMARY

The results show that shipping and logistics companies were viewed the most favourably across all firm sizes. The majority of respondents, overall, believed each intermediary was 'good'. Small and medium sized businesses were the most dissatisfied with Australia Post (15.22% and 3.80% respectively), compared with large sized companies which did not have 'poor' experience with the same (0.00%). This

suggests small and medium sized firms encounter more problems when dealing with Australia Post than large firms. This could be attributed to small and medium sized businesses relying heavily on Australia Post to deliver their products to customer, compared with large firms.

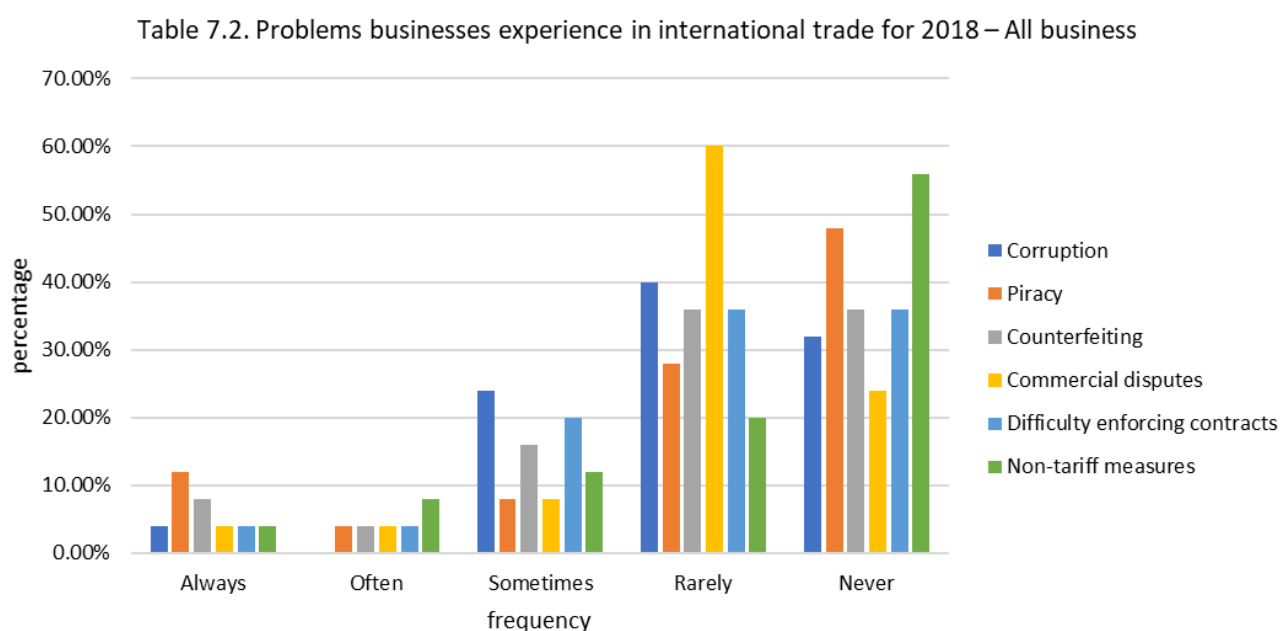
7. PROBLEMS BUSINESSES EXPERIENCE IN INTERNATIONAL TRADE

Businesses were asked about the frequencies of problems they encountered in international business transactions, including corruption, piracy, counterfeiting, commercial disputes, difficulty enforcing contracts and non-tariff measures. Overall, the majority of businesses stated they 'rarely' or 'never' encountered such problems (Table 7.2). Corruption, counterfeiting and difficulty enforcing contracts were equally considered the most frequently cited experience, with 28.00% of businesses experiencing these problems 'always', 'often' or 'sometimes'. As many as 84.00% of businesses noted commercial disputes to be the least frequently cited experience (either 'rarely' or 'never'), followed by piracy (76.00%). Firms' experiences in international trade have considerably changed compared with the 2014, 2015 and 2016 results as the frequencies of problems they experienced have considerably decreased in 2018, compared with any other previous years such as 2016, 2015 and 2014 (Table 7.1).

Table 7.6. Problems businesses experience in international trade – Total of 'Always, often and sometimes' frequencies for 2014-2018



Table 7.7. Problems businesses experience in international trade for 2018 – All business



When comparing the results amongst different firm sizes, large firms tended to experience the problems less frequently (Table 7.5) than small and medium firms. The most common problem encountered by small firms and medium firms (combined 'always', 'often' and 'sometimes') was corruption (10.87% and 17.39%, respectively) (Table 7.3). Large firms encountered commercial disputes at the highest level (62.50%) and corruption at the lowest level (25.00%) for a combination of 'always', 'often' and 'sometimes'. Medium sized firms encountered the problem of difficulty enforcing the contracts at the highest level (46.15%) and piracy at the lowest level (7.69.00%) for a combination of 'always', 'often' and 'sometimes' (Table 7.4).

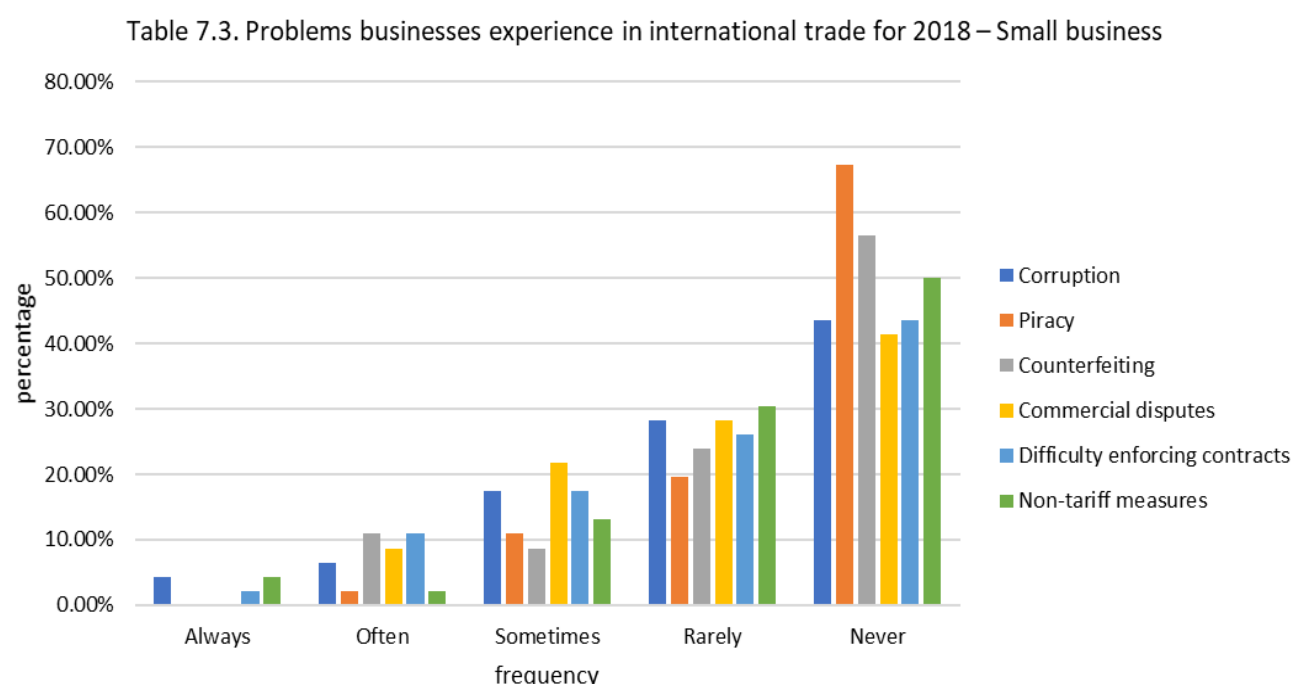
From a qualitative perspective:

Non-tariff measure are seen as an area in need of considerable work by government and industry organizations to coordinate their activities into a unified strategy as perceptions by industry is that change is very slow and not organised:

The problem with government to government is ... so we need more ministers because they're the ones that ... ministers need to make, they need to achieve things while they're in power, so if you're the minister for agriculture in Kuwait, whilst you're in power you want to be able to say well I did X, Y, Z, so ministers need ... They need outcomes, they need wins, but sometimes if you have government people talking to government people it's not practical, so sometimes you need business people talking common sense whether it's feasible or not but, I don't know, it's frustrating and...the stuff going on in the Middle East...honestly, it's ridiculous some of the non-tariff barriers that are up there...

And also, with respect, sorry to Canberra, you've got the Department of Ag working ... they've got non-tariff barrier teams, we've got DFAT that have non-tariff barrier teams and then we've got industry that, like the Chambers, [industry associations] Australia, you name, all the big industry bodies have literally people employed paying hundreds of thousands of dollars to work on non-tariff barriers, and none of them get along ... They tell you that they're talking to each other but I'm not sure they are. (Firm B – Small organic agricultural manufacturer).

Table 7.8. Problems businesses experience in international trade for 2018 – Small business



From a qualitative perspective:

With regard to commercial disputes, those companies that experience few if none, keep a close watch on relationships with customers as their primary governance mechanism to ensure prompt and reliable payment:

With payment, no it's just the relationship we have with them, we just chase them for the money and send them a few emails saying you really need to do this, occasionally we might get to a point where it's like we can't ship your next shipment unless your dues are paid, but the majority of them are quite good, sometimes it's just a matter of, they're out of the country themselves, they can't pay when we would like them to, the majority of them are pretty good, but it's just the normal, just chasing them up, just a few phone calls, few emails and we're lucky that we've got good customers. (Firm C – Medium agricultural manufacturer).

Table 7.9. Problems businesses experience in international trade for 2018 – Medium business

Table 7.4. Problems businesses experience in international trade for 2018 – Medium business

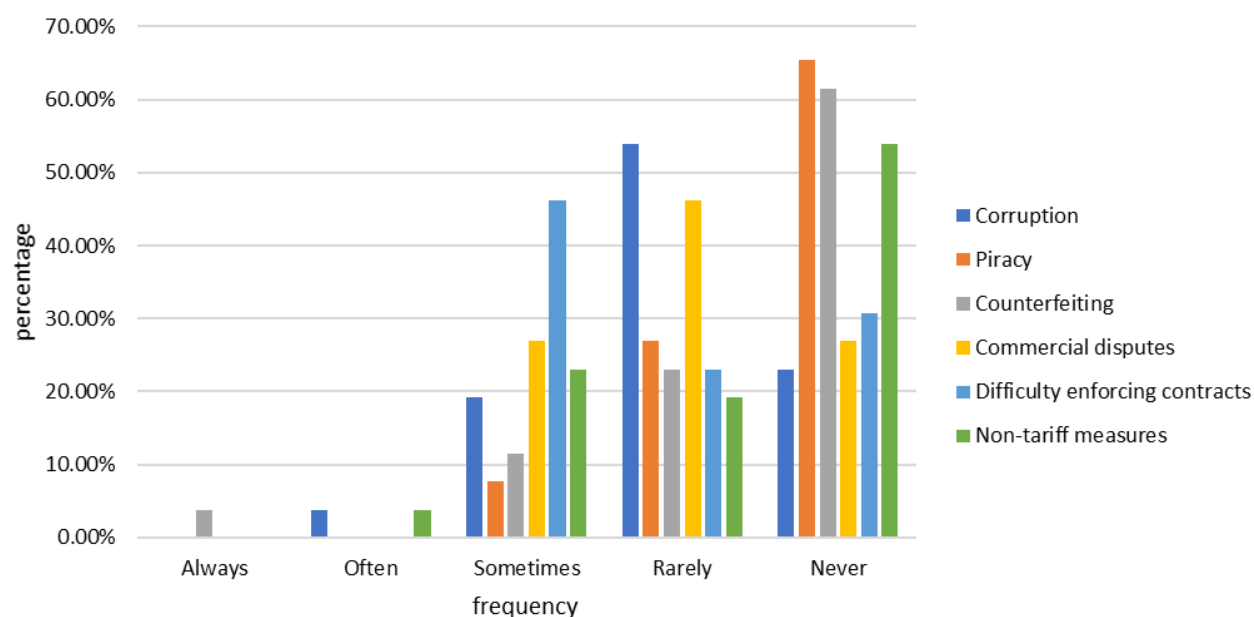
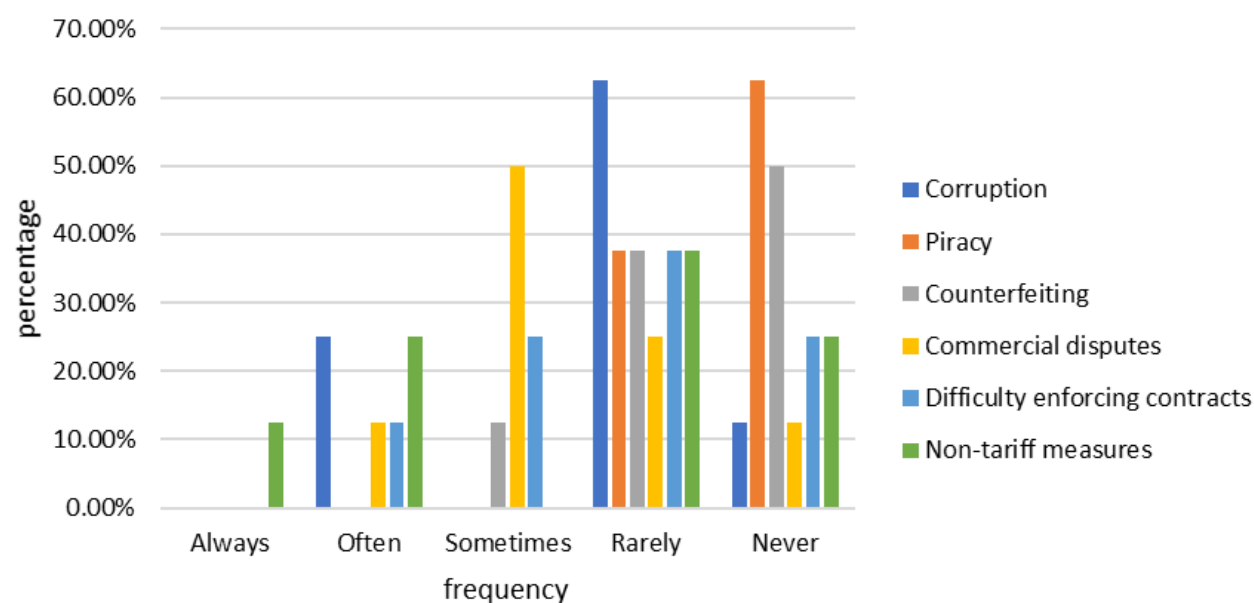


Table 7.10. Problems businesses experience in international trade for 2018 – Large business

Table 7.5. Problems businesses experience in international trade for 2018 – Large business



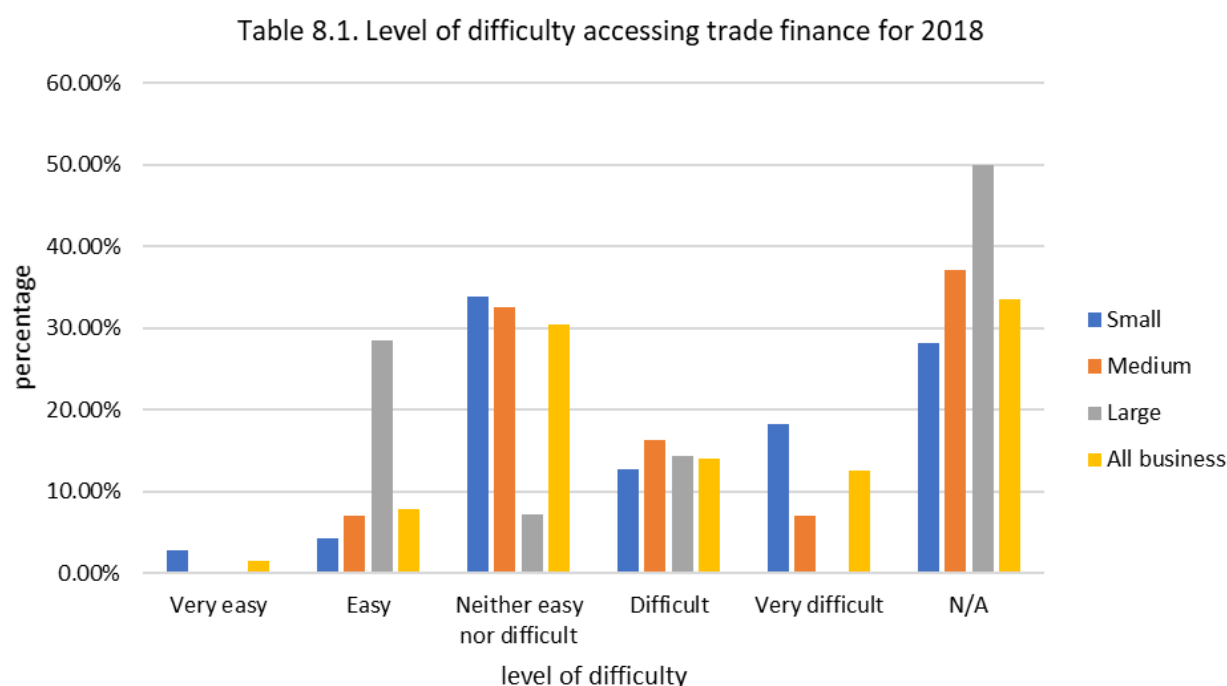
7.1. SUMMARY

With regard to other trade problems, the results suggest respondents did not consider corruption, piracy, counterfeiting, commercial disputes or enforcing contracts to be significant issues. This suggests firms are adept at managing such risks to facilitate international business.

8. TRADE FINANCE

Businesses were asked to rate the levels of difficulties they experienced when accessing trade finance. The results show that 26.56% of all businesses experienced difficulties (combined 'difficult' and 'very difficult' categories) in accessing trade finance (Table 8.1). However, while roughly 31% of small businesses stated they experienced such difficulties, the number for large firms was only 14.29%. For medium firms this was more than 23%. This suggests that firm sizes are negatively correlated with the levels of difficulties in accessing trade finance.

Table 8.11. Level of difficulty accessing trade finance for 2018



From a qualitative perspective:

Many small firms still find lack of finance a real concern, despite it not being within the top 5 concerns in the 2010-2018 comparisons:

No that's my biggest concern with the government. I have problems being a small exporter finance wise. You know people say to me 'oh the banks are hopeless'. You know they don't want to protect SMEs. You know I can put up for instance my house as collateral and things like that. Well they won't do it and people say to me 'oh go to the Export Finance Insurance Corporation, another federal body, they're terrific'. Well they're not. They don't help me at all! So I have to finance my own exports and that can be difficult when you're exporting say ten containers of [product] in one shipment. That's a lot of money. That's over \$200,000. It can be \$300,000 and that is difficult for a small company if you don't have a financial, like even an overdraft. If you had to have one I can't get one because they won't they're very tough. You'd have to be showing a balance sheet with a huge profit you know like half a million to a million dollars before they'll even look at you which is disappointing. Especially when you know that you've got the assets but they won't look at those which is a pity. (Firm K – Small agricultural manufacturer).

8.1. SUMMARY

In light of the above, the following recommendations have been made:

Recommendation 16:

Renewed efforts should be made to promote and make accessible, trade finance to small and medium sized businesses.

Recommendation 17:

Administrative complexity in trade finance needs addressing. This is especially critical for smaller firms.

9. TRADE AGREEMENTS

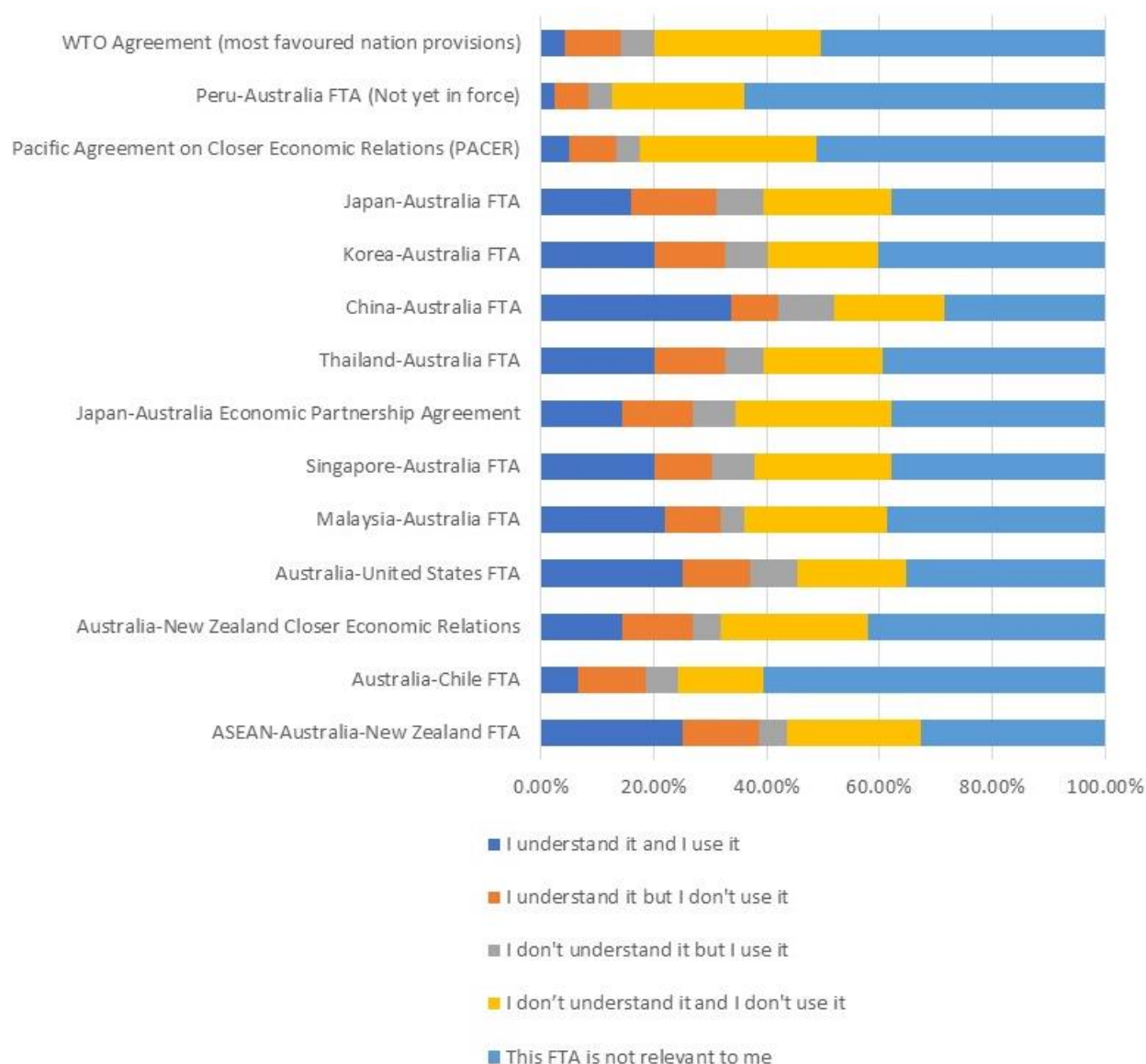
9.1. BUSINESSES' UNDERSTANDING AND UTILISATION OF TRADE AGREEMENTS

Businesses were asked about their understanding and utilisation of a list of general trade and Free Trade Agreements (FTAs). The results show that in general, the majority of businesses stated that these FTAs are not relevant to them (Table 9.1). The most irrelevant FTAs identified by the businesses are the Peru-Australia FTA (63.87%), Australia-Chile FTA (60.50%) and Pacific Agreement on Closer Economic Relations (PACER) (51.26%). A large number of businesses do not understand and do not use FTAs. The proportion of businesses understanding of general trade and FTAs and using them ranged from 2.52% for Peru-Australia FTA to 33.61% for China-Australia FTA. The figure for businesses understanding of general trade and FTAs but don't use them ranged from 5.88% for Peru-Australia FTA to 15.13% for Japan-Australia FTAs. Most notably, the highest rate of businesses surveyed both understanding and using general trade and FTAs was 33.61% for China-Australia FTA.

The most well understood agreement reported was the China-Australia FTA with a result of 41.01%. This was followed by the ASEAN-Australia-New Zealand FTA (38.66%) and the Australia-United States FTA (36.97%). That means, China-Australia FTA, ASEAN-Australia-New Zealand FTA and Australia-United States FTA were the most, second most, and third most understood FTAs, respectively by all businesses surveyed. The least understood and least used agreement was the WTO agreement (most favoured nation provision) with 29.41% businesses stating they do not use this agreement and 50.42% acknowledged that this FTA is not relevant to them. This is surprising given Australia has been a WTO member since January 1995 and a member of GATT since October 1967. It may also reflect the automatic nature of its provisions and that business is using it without knowing.

Table 9.12. Rating of businesses' understanding of general trade and free trade agreements – All business

Table 9.1. Rating of businesses' understanding of general trade and free trade agreements – All business



With regard to firm size variations, the most well understood FTA by small firms was the China-Australia FTA (39.39%), while the least understood was the Peru-Australia FTA (10.61%) (Table 9.2). Medium firms noted the equally strongest understanding of ASEAN-Australia-New Zealand FTA, Australia-United States FTA and China-Australia FTA with 43.91% for each (Table 9.3). Large firms, on the other hand, stated the equally strong understanding of ASEAN-Australia-New Zealand FTA, Malaysia-Australia FTA and Thailand-Australia FTA with 58.34% for each, and noted the least understanding was the Australia-New Zealand Closer Economic Relations (8.33%) (Table 9.4). The percentage range of understanding the FTAs for large firms was higher than that of small and medium firms. As such, the results suggest that large firms have a better understanding of FTAs compared to small and medium firms.

From a qualitative perspective:

A number of smaller exporters are indicating they need further assistance on the Australia-Chile FTA, as they are seeing real potential in the market:

DFAT and Austrade, etc. in the course, have reached out to them recently, probably more so Austrade, in regards ... cause we do have a free trade agreement with Chile, but unfortunately our customer, he sort of started his own distributorship, he's an ex-salesman with another company, so I think he's a really good salesman but he's probably not that great in logistics and understanding customs and clearances and that, and all that sort of stuff, so I've had to sort of nut my way through it from our perspective but then also in Chile, so I've enlisted the help of ... you've got a ... Austrade have an office in Santiago, so I've reached out to them a couple of times for assistance, merely just to gauge, not so much loopholes, but are we doing the right thing, are we ticking the right box, that sort of thing, but in regards to extra help, we sort of, we just really wing it to be honest (Firm H – Small high tech equipment manufacturer).

Other smaller firms indicate they are simply overwhelmed by FTAs and not sure of what to do or where to start. Government information through websites and online is not helpful:

I'm not savvy on Foreign Trade Agreements so there's too many of them... I've tried to read about them... Via news portals, via government websites, but none of the information really sinks in. I don't really understand what it means for my industry or you know the business that I work in so I've just sort of ignored them. I haven't really paid much attention to them (Firm J – Small agricultural manufacturer).

Table 9.13. Rating of businesses' understanding of general trade and free trade agreements – Small business

Table 9.2. Rating of businesses' understanding of general trade and free trade agreements – Small business

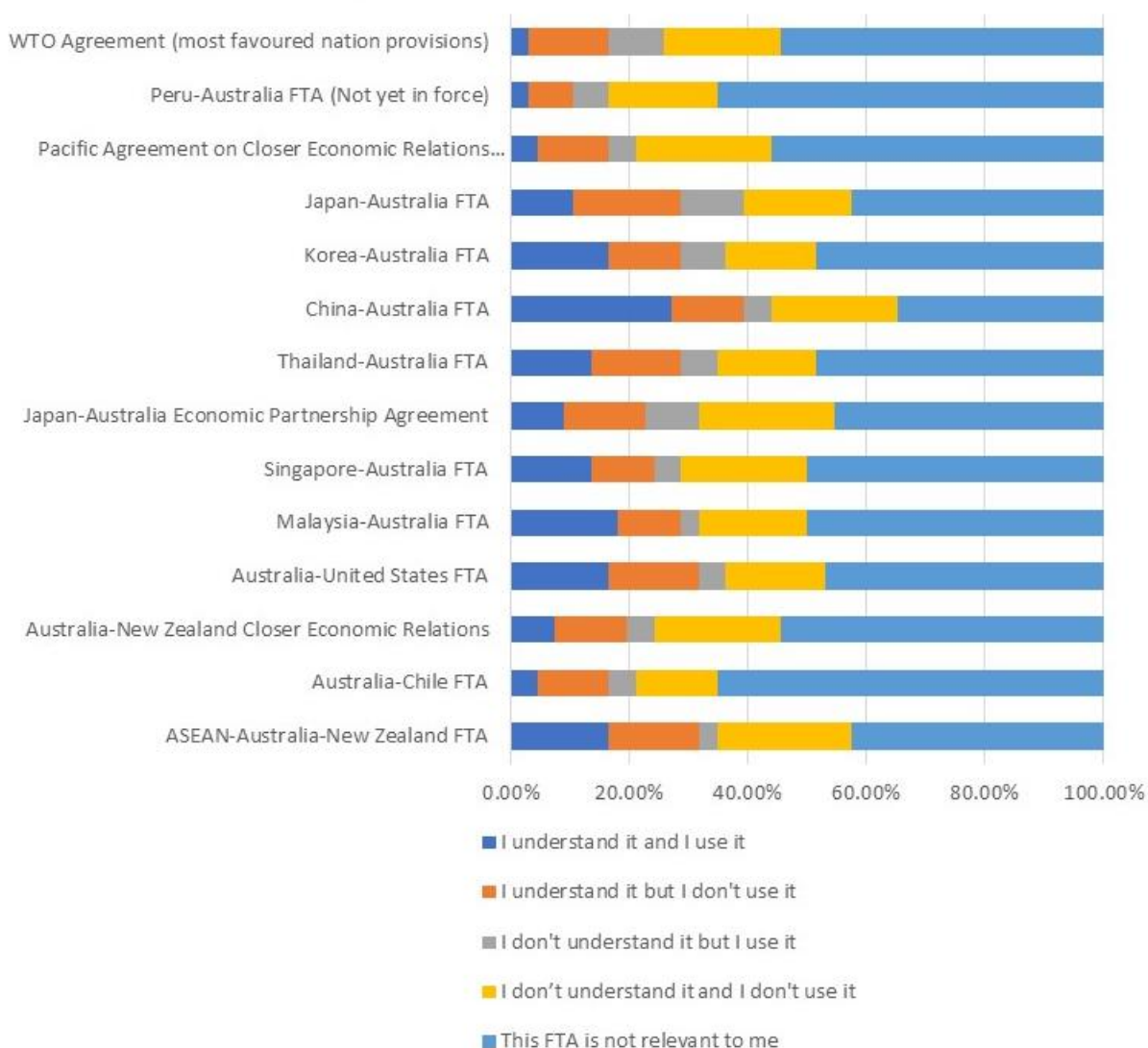


Table 9.14. Rating of businesses' understanding of general trade and free trade agreements – Medium business

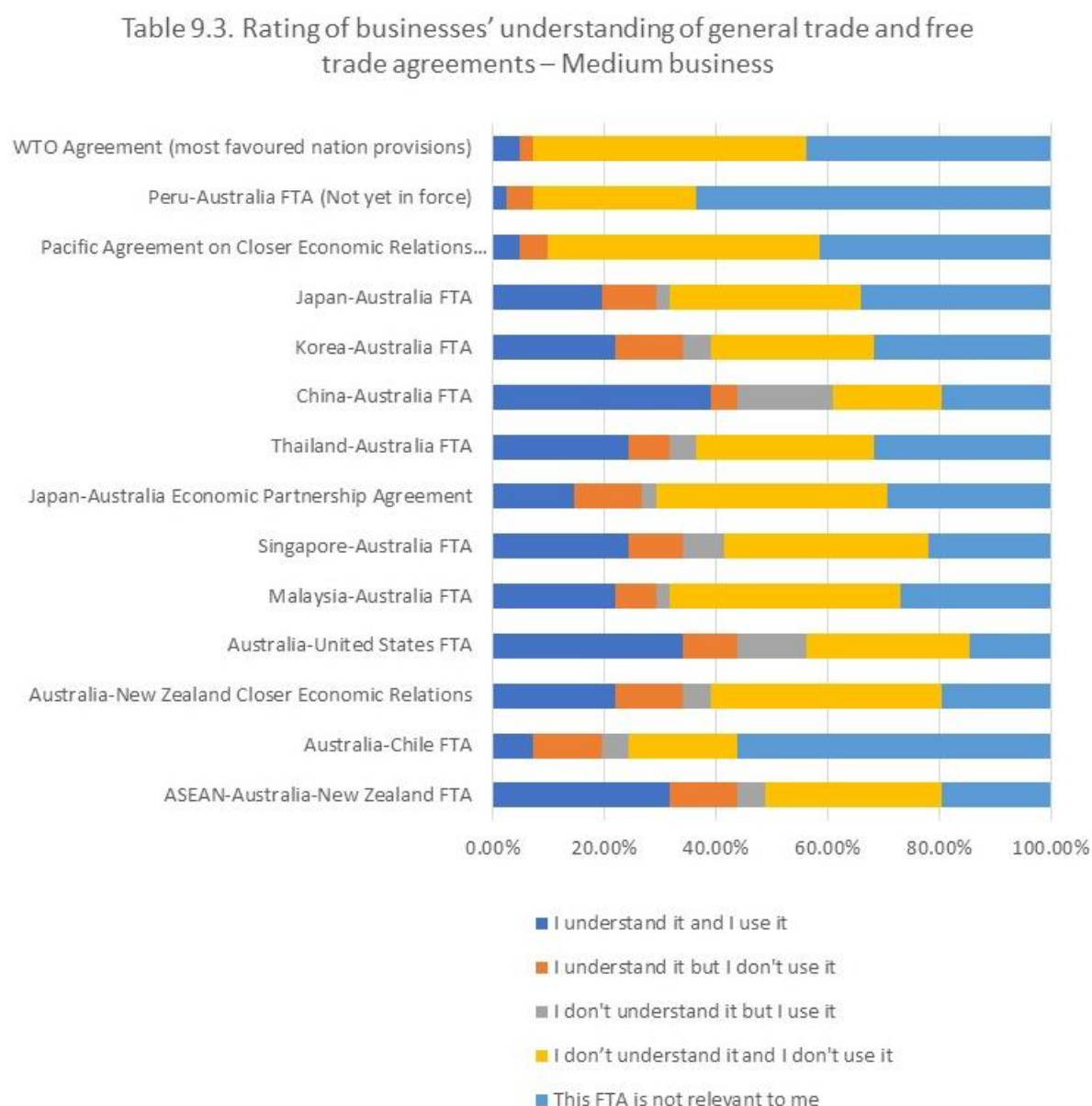
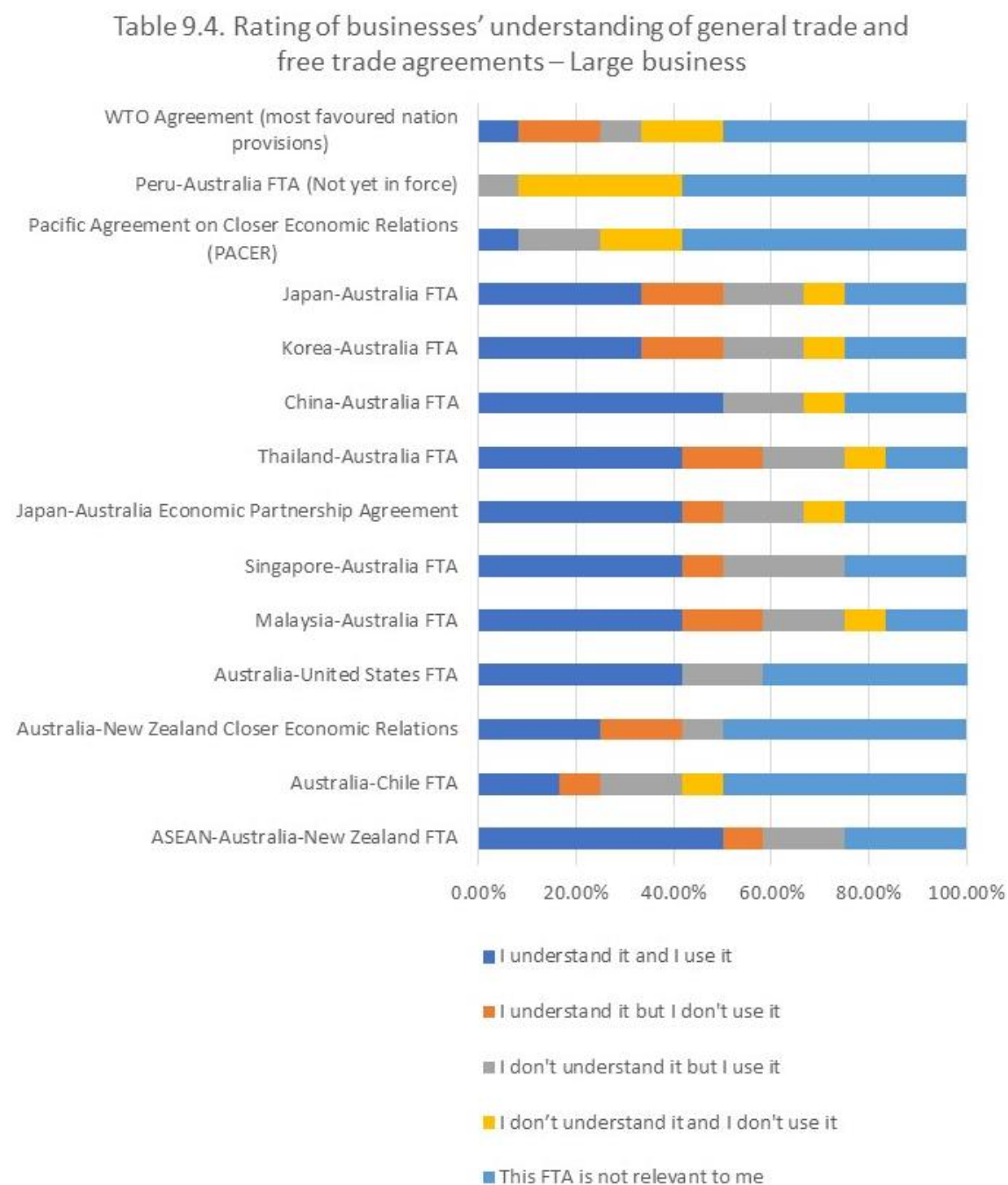


Table 9.15. Rating of businesses' understanding of general trade and free trade agreements – Large business

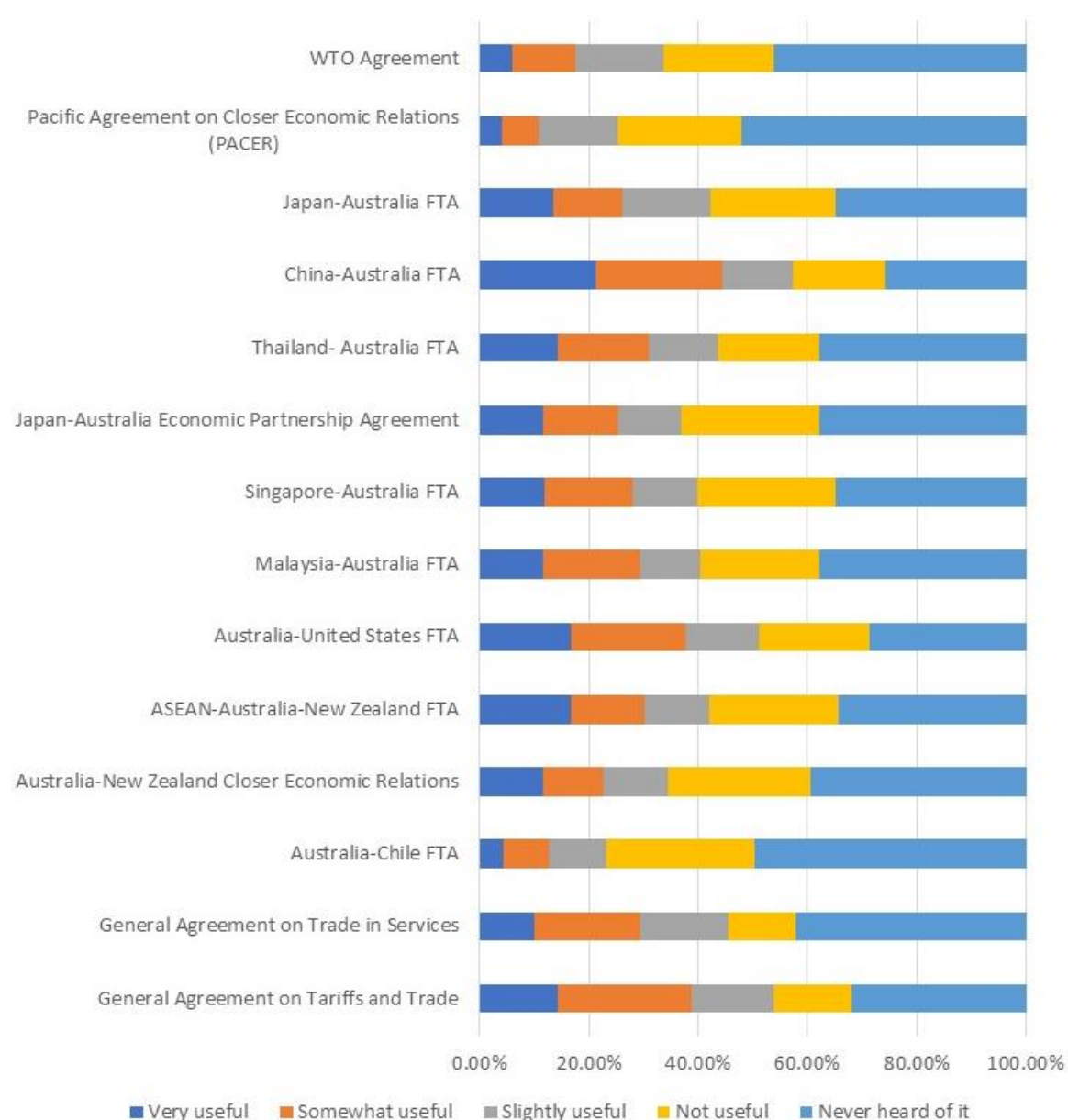


9.2. USEFULNESS OF CURRENT FREE TRADE AGREEMENTS

Respondents were asked to rate the usefulness of the existing FTAs. The results show that between 25.64 and 52.10% of respondents had 'never heard' of the listed FTAs (Table 9.5). Compared with the 2016 results, the proportion of 'never heard of the listed FTAs' in 2018 was higher, suggesting that awareness not rising, possibly related to the government's inadequate efforts to promote the three North Asia FTAs. Overall, the China-Australia FTA was considered to be the most useful, with 44.45% stating it was either 'very useful' or 'somewhat useful'. This was followed by the General Agreement on Tariffs and Trade (GATT/WTO) (38.66%) and the Australia-United States FTA (37.92%). The FTA considered the least useful was Australia-Chile FTA, with 87.18% of respondents noting that it was 'slightly useful', 'not useful' or 'never heard of it'. This result conforms to the one we obtained in 2016.

Table 9.16. Businesses' usefulness rating of current FTAs: All business

Table 9.5. Businesses' usefulness rating of current FTAs: All business



When comparing the results across firm sizes, small firms noted China-Australia FTA to be the most useful, with 40% of firms noting it was either 'very useful' or 'somewhat useful' (Table 9.6). The medium sized firms considered General Agreement on Tariffs and Trade, Australia-New Zealand Closer Economic Relations and Japan-Australia Economic Partnership Agreement to be the most useful FTAs equally (43.41%) (Table 9.7). In contrast, large sized businesses considered the Japan-Australia Economic Partnership Agreement to be the most useful FTA (58.33%) (Table 9.8). The least useful FTA according to firm size was the General Agreement on Tariffs and Trade for both small and medium firms with 66.66% and 56.10%, respectively), as was the ASEAN-Australia-New Zealand FTA (41.67%) for large firms. Nevertheless, large firms had a higher proportion of the combined 'very useful' and 'somewhat useful' than the combined 'slightly useful', 'not useful' and 'never heard'.

Meanwhile, a lower proportion of small and medium firms found FTAs useful as opposed to not. This suggests a need for more effective knowledge transfer about FTAs to small and medium firm.

Table 9.17. Businesses' usefulness rating of current FTAs: Small business

Table 9.6. Businesses' usefulness rating of current FTAs: Small business

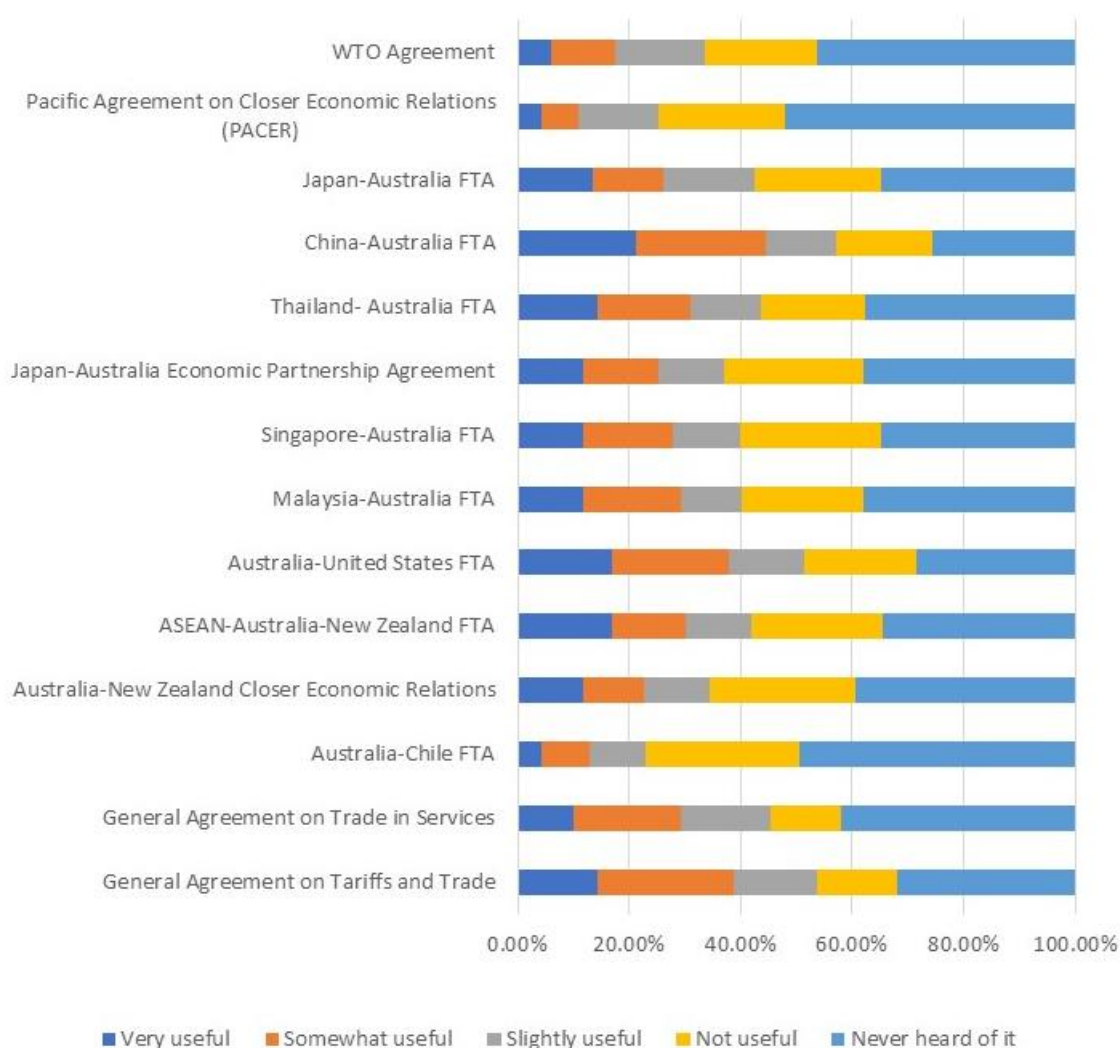


Table 9.18. Businesses' usefulness rating of current FTAs: Medium business

Table 9.7. Businesses' usefulness rating of current FTAs: Medium business

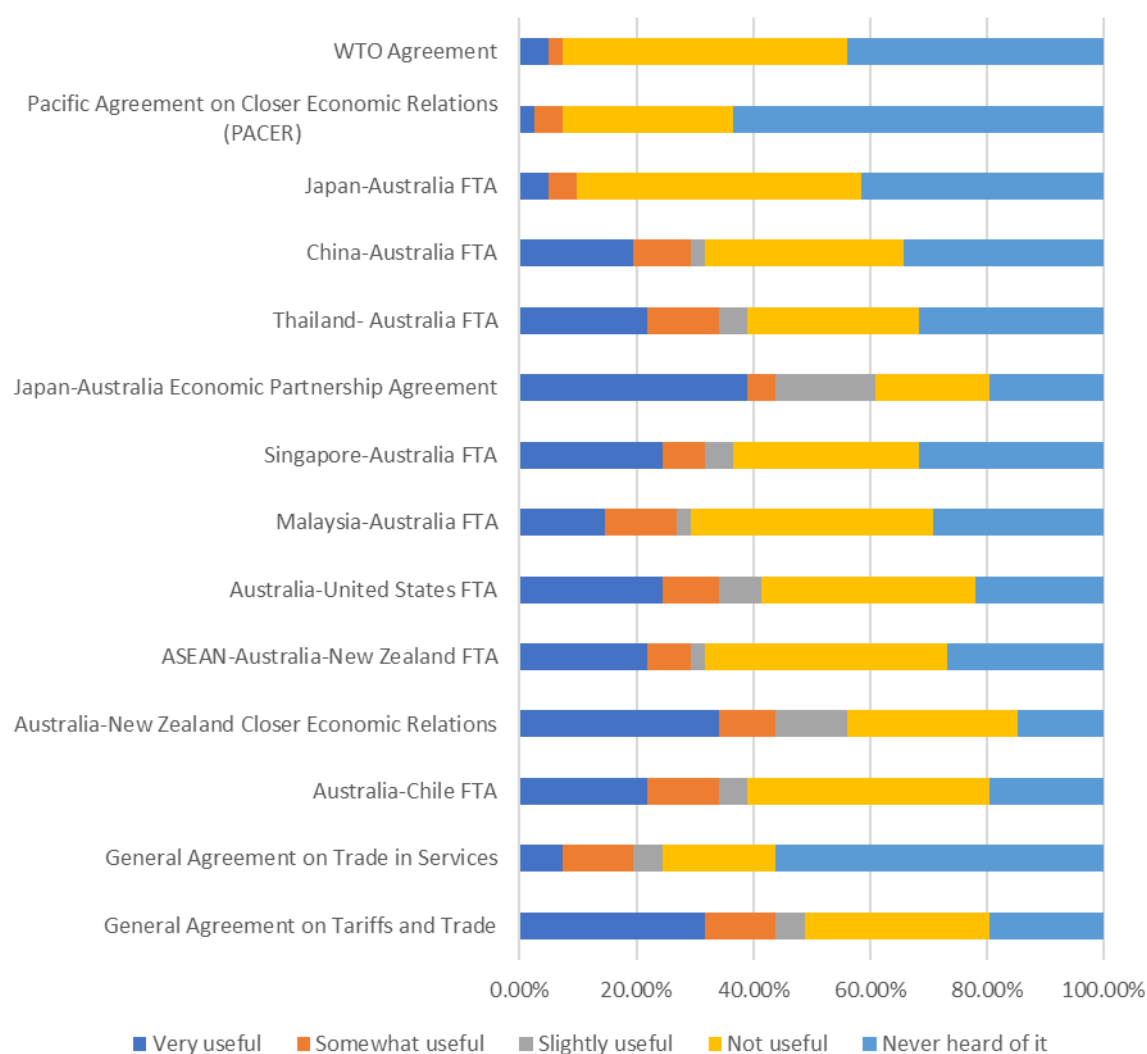
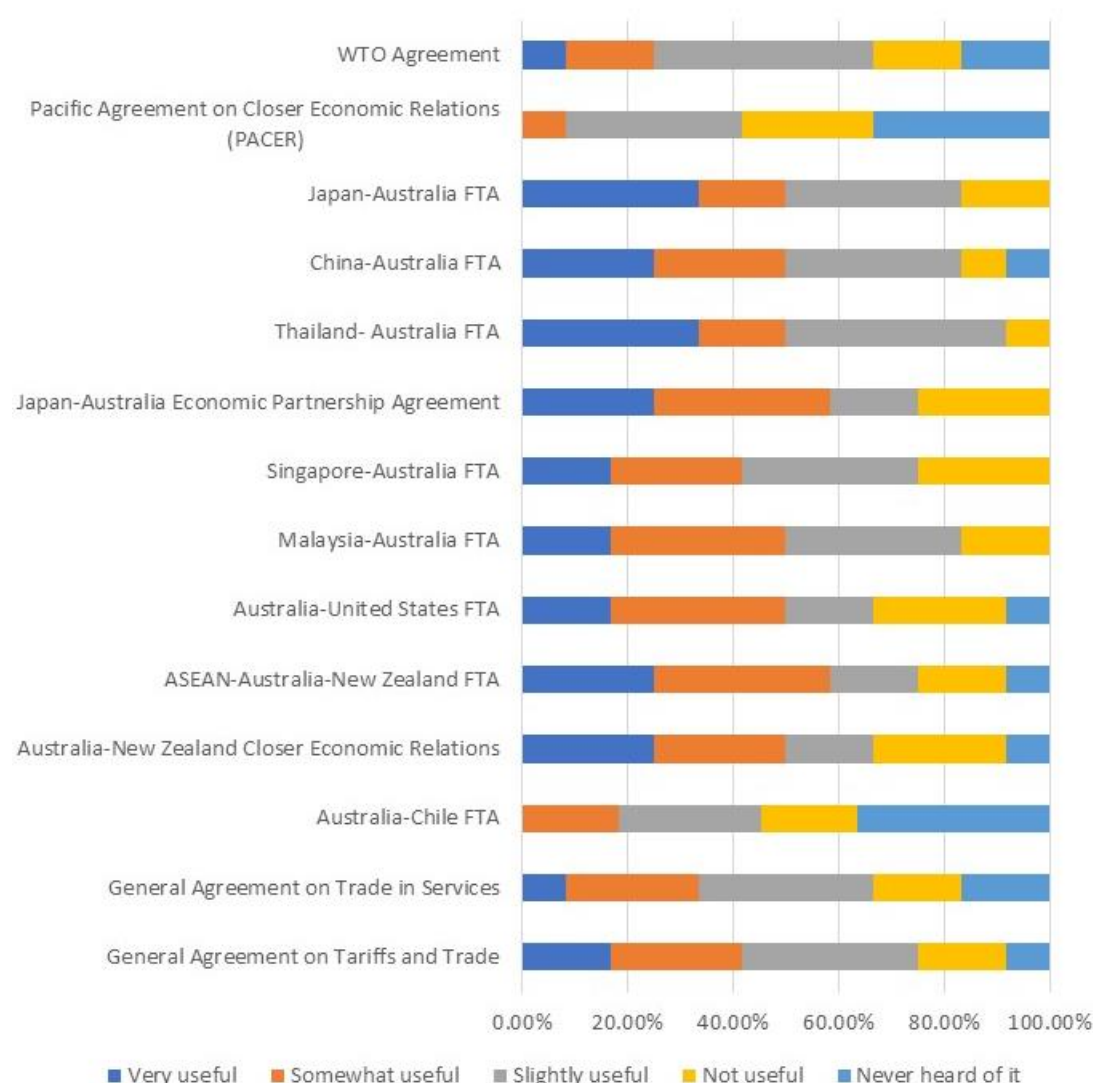


Table 9.19. Businesses' usefulness rating of current FTAs: Large business

Table 9.8. Businesses' usefulness rating of current FTAs: Large business



Regarding the qualitative responses, managers were asked whether they used any of the enforced free trade agreements. Most managers reported that they did not use the in force enforced FTA, primarily because they were not familiar with them, and had little understanding of their relevance.

9.3. PREFERRED GOVERNMENT'S PRIORITIES FOR FUTURE FREE TRADE AGREEMENTS

Respondents were asked to provide their opinion on the government's priorities of future trade agreements. Overall, the Australia-India Comprehensive Economic Cooperation Agreement received the highest priority (40.34% of respondents across all cohorts) (Table 9.9). This was followed by the European Union (36.97%). The least priority was given to both Africa and South America (7.56%). The results diverged according to firm size. Small firms favoured the Pacific Alliance (34.85%) and both the Australia-India Comprehensive Economic Cooperation Agreement and European Union were in the second place (33.33%). The highest priority was given to the European Union by medium sized firms (51.22%) whilst large sized firms preferred Australia-India Comprehensive Economic Cooperation Agreement and Indonesia-Australia Comprehensive Economic Cooperation Agreement equally (58.33%).

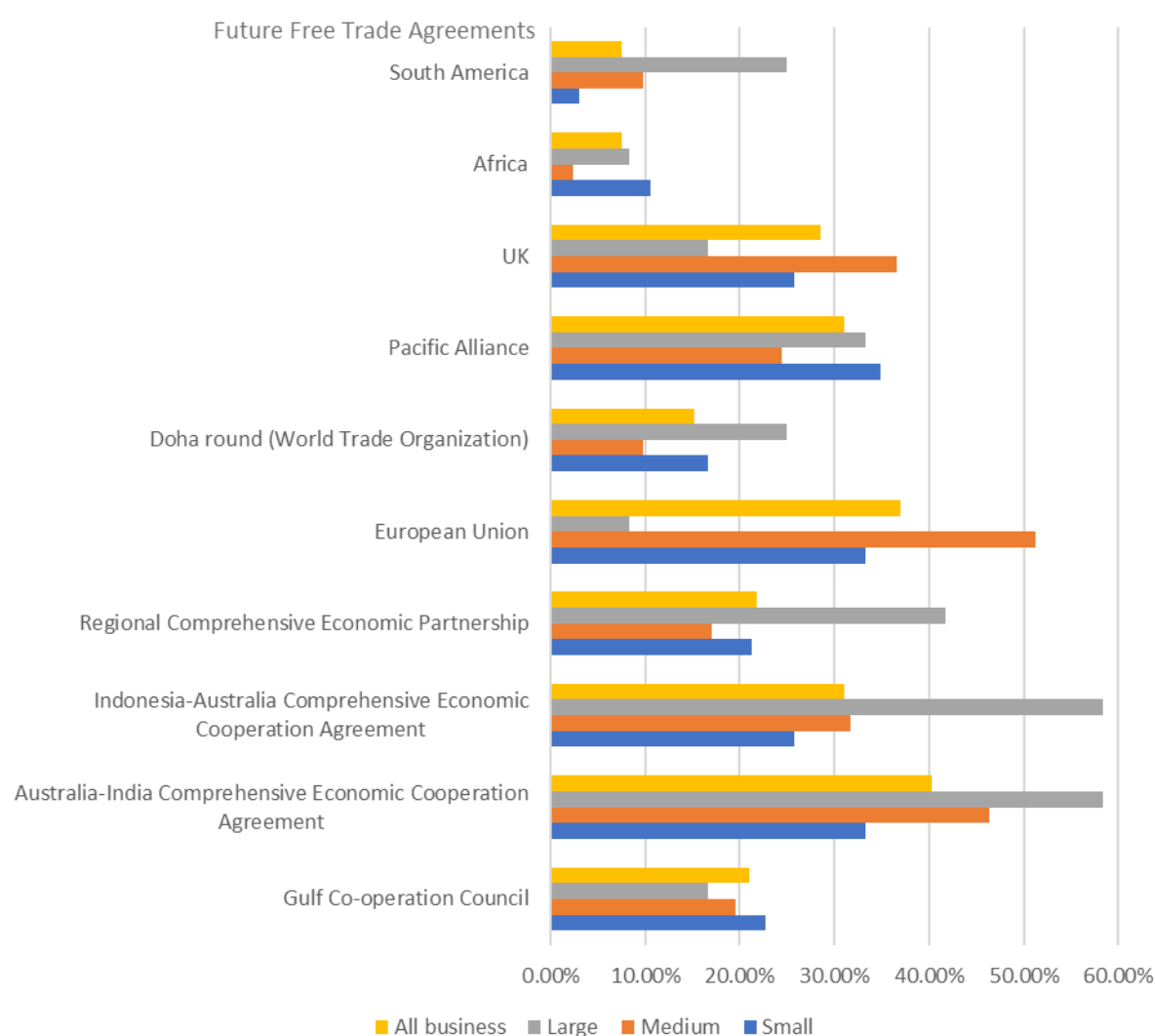
From a qualitative perspective:

Interest has been shown by firms to have more involvement in the Middle East and African countries and FTAs as well, as government, participation can assist in this process:

I think they [government] should assist in making sure that we understand the aspects of trade where government gets involved, free trade agreements and all these things absolutely paramount that a government does it. If you're dealing in the Middle East having government with you is ... it opens all the doors, so having the government with you, if I was going to knock on an opportunity in America, wouldn't work, doesn't need to be, but there are very many specific countries where having the government with you is very, very important...When we set up our business originally in Libya, we wouldn't have done it if we hadn't got the Australian government there. When I've gone to places like Kenya and Mauritania having access to the High Commissioner or Ambassador and he supporting us, like in Sierra Leone...They came to all of our ceremonies with government and that opened a lot of doors, so African countries, Middle Eastern countries, a lot of the Asian countries having government with you is very important (Firm I – small professional service – gas and power sector).

Table 9.20. Preferred government's priorities of future free trade agreements

Table 9.9. Preferred government's priorities of future free trade agreements



From a qualitative perspective:

Considerable comment was focused on the Middle East as a very lucrative region for future agricultural products given the emerging middle class with growing discretionary income for high quality products:

We get MPs coming through Dubai on their way to do something in Europe but they don't go to Saudi, I mean Saudi ... so much opportunity in Saudi, Kuwait, Qatar, you know I could go on, there's so much opportunity for food and services and defence and we just don't get any ministers up there. (Firm B – Small organic agricultural manufacturer).

South America is another region perceived as offering very lucrative opportunities for market development, entry, expansion and growth. However, trade barriers are regarded as a major stumble block to realizing any gains:

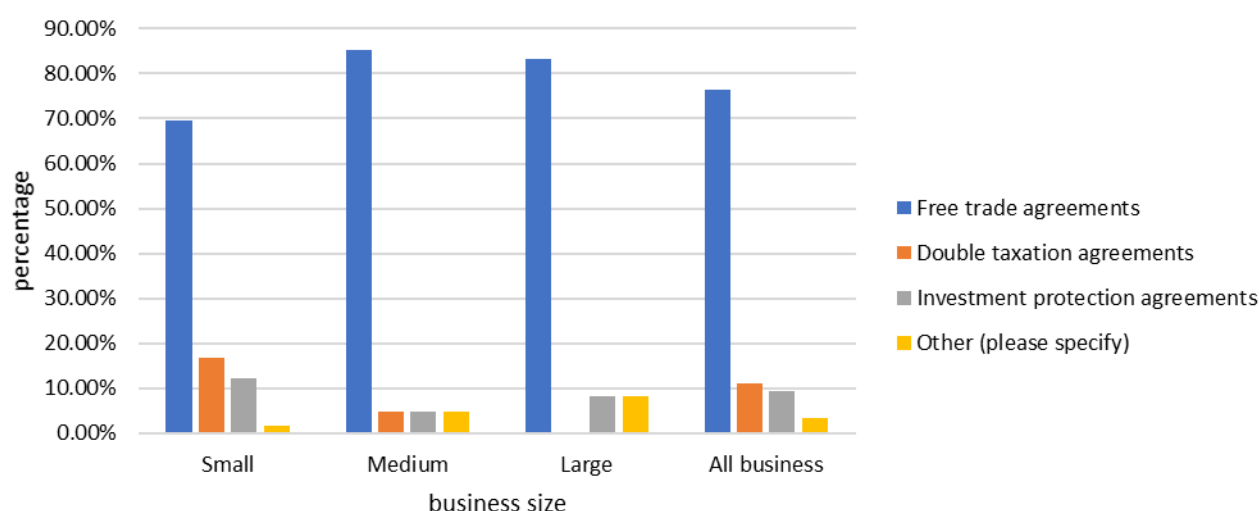
What would governments do, so right now the biggest constraint I have in terms of developing markets is the South American region, and if we could gain access to the South American market without these taxes that we are getting on our costs of goods and so on, I think that would be a brilliant thing, that would allow us to sell into that market and to put it into perspective, Brazil has been for quite some years, the largest exporter of sugar and core products in the world and for many years they effectively set the international sugar price and, of course, that dictates how profitable sugar factories can be around the world and, therefore, how much they can invest in infrastructure and in the factories and so on, which affects our business, so gaining access to the Brazilian market would be great for us, they've got something like 500 odd factories, maybe two thirds of those are operating full time and we're denied access to that market because of these trade barriers. Now, government has a part to play in breaking down these trade barriers and then once, you know, once the tariffs are low enough then it's the job of business to do what we do and get in and sell our products and sell ourselves and build these relationships and so on, so I would never contemplate a government taking over the job of business, I think both are needed in the hierarchy of the jobs that need to be done and to allow us to do what we want to do. (Firm D – Large high-tech engineering manufacturer).

9.4. PREFERRED TYPE OF AGREEMENT THE AUSTRALIAN GOVERNMENT SHOULD FOCUS ITS EFFORTS

Businesses were asked to state their preferred type of agreement the Australian Government should focus its efforts on. Overall, more than three-quarters (76.47%) of all businesses mentioned free trade agreements as their favoured option (Table 9.10). This is also similar to all firm sizes. For small sized businesses, double taxation agreements and investment protection agreements received the second and third places, respectively (16.66% and 12.12%). However, large firms were more interested in investment protection agreements (8.33%) than in double taxation agreements (0.00%). Finally, medium sized businesses preferred both investment protection agreements and double taxation agreements equally at 4.88%.

Table 9.21. Preferred types of agreements on which the Australian government should focus its efforts

Table 9.10. Preferred types of agreements on which the Australian government should focus its efforts



From a qualitative perspective:

A reoccurring perspective is that government at the federal and state levels could do far more to promote the unique Australian environment, that is for the most part devoid of pesticides, with increasing focus on green and clean production of agricultural products. It would help to build an overall country specific advantage:

Yes and when I say competitiveness I am talking more so on how Australia is competitive to the global market. So Australia has a lot of unique products that can be produced here. When you weigh them up against products that have been produced in overseas markets to a much cheaper extent this can be due to you know our own internal or our domestic economy, our climate conditions. The cost of production for an Australian producer can be a lot higher than the cost of production for a product that is produced either synthetically or purely in global markets. So Australia's main competitors at the moment are more so those from overseas which also means that we're not price competitive with some of the products that are being produced from overseas which is also quite detrimental.

I mean that can't really be helped from an Australian government sort of perspective and there's not a lot of sanctions that can be put on these sorts of things but it is important for the world to actually know what the differences are when it comes to quality product over synthetic product. And I think that that's a massive part that the government can play in determining what is and what isn't pure product. So I mean that's one area of competitiveness that's causing a lot of issues for the continued growth of the industry that we're in, but internally also there is, domestically anyway, a long standing history of competitiveness amongst the key players across the trading part of the industry and there's not so much focus on collaboration anymore. It's sort of you know look at me, look at me kind of industry which is more hurtful than it is beneficial overall (Firm J – Small firm agricultural manufacturer).

An important role can also be played by the various chambers of commerce on FTAs, as knowledge is reasonably low:

The Petroleum one to Korea I have used in the past, I'm not using any at present, but I have used it in the past. Friends of mine are using the agricultural bonds and, then again, the key

thing is understanding what's in them, and that's where the Australian Chamber is actually quite good, and I've seen them rule out these free trade agreements, and I think that's a very strong role for them to do... The improvement one first, I think they need to get more opportunity focused, so bring opportunities to the table to their members in that specific area. I think their ability to understand the relationships between Australia and the other Chambers that they're affiliated with is very important and that needs to be used. To me look outside the organisation not inside (Firm I – Small professional service – gas and power sector).

9.5. SUMMARY

Overall, the results show that the majority of businesses stated that these FTAs are not relevant to them. The most irrelevant FTAs identified by businesses are the Peru-Australia FTA (63.87%), Australia-Chile FTA (60.50%) and Pacific Agreement on Closer Economic Relations (PACER) (51.26%). Most businesses do not understand and do not use FTAs, especially small to medium sized firms. The proportion of businesses understanding of general trade and FTAs and using them, ranged from the lowest for the Peru-Australia FTA to highest for the China-Australia FTA. The figure for “businesses understanding of general trade and FTAs but don't use them” ranged from the Peru-Australia FTA to the Japan-Australia FTAs. Significantly, the highest rate of businesses surveyed both understanding and using general trade and FTAs was for the China-Australia FTA.

Similarly, the most well understood agreement reported was the China-Australia FTA. This was followed by the ASEAN-Australia-New Zealand FTA and the Australia-United States FTA (36.97%). That means, China-Australia FTA, ASEAN-Australia-New Zealand FTA and Australia-United States FTA were the top, second and third most understood FTAs, by all businesses surveyed. The least understood and least used agreement was the WTO agreement (most favoured nation provision) with 29.41% businesses stating they do not use this agreement and 50.42% acknowledged that this FTA is not relevant to them.

Thus, in light of the results, the following recommendations are made:

Recommendation 18:

The government needs to acknowledge the general lack of knowledge by business about our various FTAs and their perceived usefulness, and address the overarching view held by all businesses that government provided services are reducing. This is a particular problem amongst small and medium sized businesses.

Recommendation 19:

The government needs to acknowledge the interest by all businesses to know more about our FTAs other than China, in order to diversify our interests. This lack of understanding and desire for knowledge around opportunities provided through FTAs is a particular problem amongst small and medium sized businesses.

Recommendation 20:

The government needs to invest more in coordinated and integrated training programs about our specific FTAs, and create relevant training programs and awareness-raising campaigns amongst small and medium sized businesses. More effective communication by partnering closely with Chambers of Commerce in its delivery is needed.

10. TRADE SERVICES

10.1. LEVEL OF UNDERSTANDING OF TRADE SERVICES PROVIDED BY CHAMBERS OF COMMERCE AND INDUSTRY ASSOCIATIONS

Chambers of Commerce and Industry Associations provide a wide range of trade related services to Australian businesses. Respondents were asked to rate their level of understanding of trade services offered by these organisations. Overall, nearly a half of respondents (47.90%) stated they did not understand these services well (Table 10.1). However, differences emerged when comparing the results across firm sizes. Whilst three quarters of large firms (75.00%) understood 'well' and 'very well' these services, small and medium firms had relatively lower understanding of these services with 50.00% of small firms and 48.78% of medium firms stating they understood 'well' and 'very well'.

From a qualitative perspective:

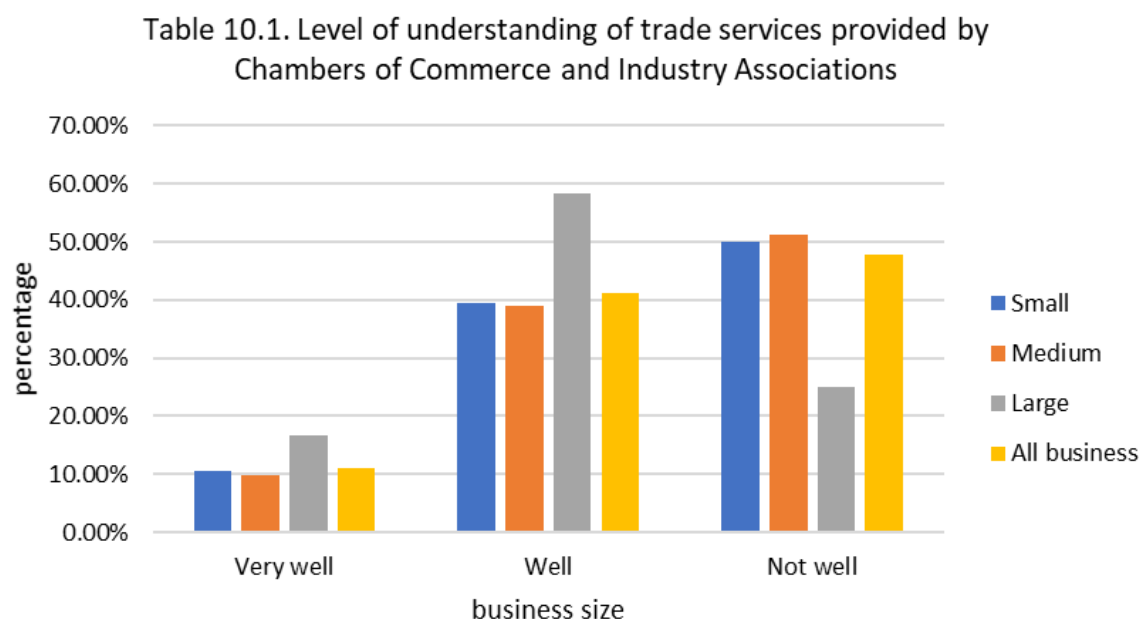
At present, the provision of many services is not understood or seen as useful and the need for more engagement by trade associations is seen as a priority by smaller exporters:

Not [using] the Chamber of Commerce locally or state based or nationally. No! Trade associations are mainly only to just, I guess keep in touch with other people who are operating in the same industry. Every now and again information will be disseminated through these associations but it's not really; the trade associations that are in our industry are more of an egocentric field for people to share their own opinion and say look at me rather than being helpful... Well I guess if the trade associations that pertain to our industry were a little bit more proactive in terms of developing market analysis information, looking at trends, being able to guide new players to the industry down the right path so it creates fair competition or develops and incentivises collaboration those sorts of things would be a lot more helpful for developing the industry as a whole (Firm J – Small agricultural manufacturer).

Similarly, the need for more opportunities to be made available would be helpful for smaller exporters, as many regard the advice from chambers as supportive:

They generally know a lot about the countries, they're generally good on advice, but they're not often that good in providing you access to opportunities and I think that's something could be improved! Informing! Say they hear that there's a tender going up for such and such they should be able to give to their Chamber members that link straightaway, I think that would be a useful thing to do (Firm I – Small professional service – gas and power sector).

Table 10.22. Level of understanding of trade services provided by Chambers of Commerce and Industry Associations



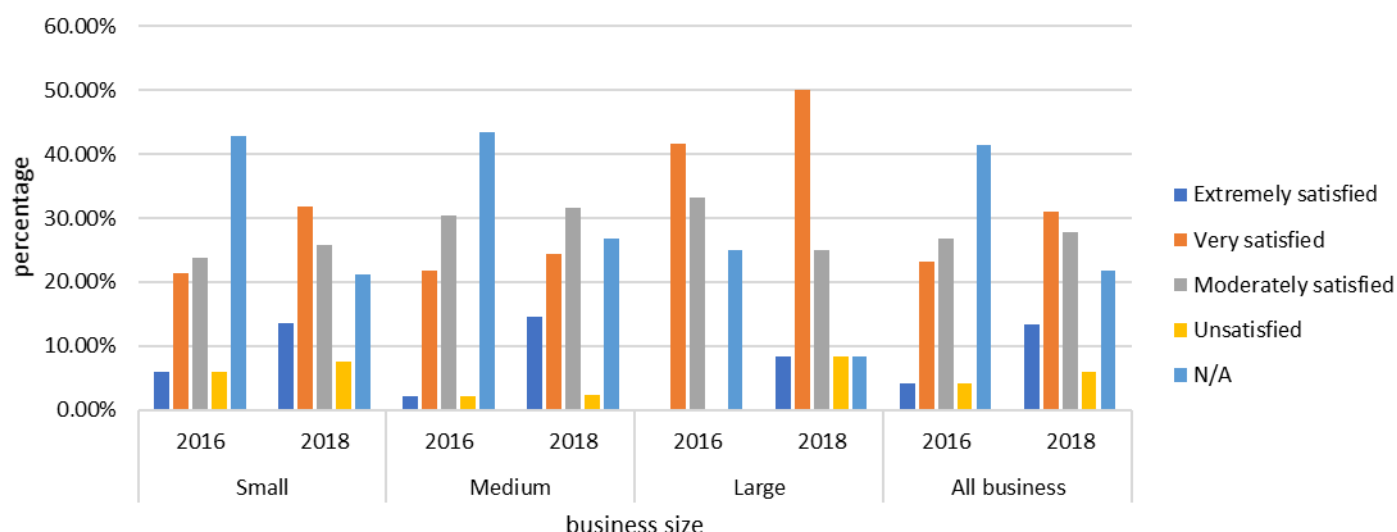
10.2. LEVEL OF SATISFACTION WITH SERVICES PROVIDED BY CHAMBERS OF COMMERCE AND INDUSTRY ASSOCIATIONS

Respondents were asked about their level of satisfaction with services offered by Chambers of Commerce and Industry Associations. The majority of respondents felt satisfied with the service offerings, however, it was surprising to see that 21.85% of respondents felt that the services offered by these organisations were not applicable to them (Table 10.2). This number was considerably lower compared with the previous year (41.5%). However, nearly three-quarters of those respondents (72.27%) that did deal with the Chambers of Commerce and Industry Associations stated they were 'extremely satisfied', 'very satisfied' or 'moderately satisfied'. Only 5.88% of respondents claimed they were 'unsatisfied'. The proportion of 'unsatisfied' increased slightly from those reported previously in 2016 (4.2%).

Across business sizes, 21.21% of small firms and 26.83% of medium firms did not deal with the Chambers of Commerce and Industry Associations for services. These numbers have decreased from the results of 2016, whereby the number of small firm and large firms was 42.9% and 43.50%, respectively. Similarly, the number for large firms, which did not deal with the Chambers of Commerce and Industry Associations for services, has fallen from one-quarter (25.00%) in 2016 to only 8.33% in 2018.

Table 10.23. Level of satisfaction with services provided by Chambers of Commerce and Industry Associations

Table 10.2. Level of satisfaction with services provided by Chambers of Commerce and Industry Associations



From a qualitative perspective:

There appears to be great respect for the services provided by DFAT and Austrade, although there is perceived confusion as to what their separate roles actually are and what they offer SMEs:

DFAT, and I think they do a wonderful job, but most people wouldn't know that even Austrade is a part of DFAT! So, I think Austrade do a good job but I am more aware than most of what they do and I've used them quite a lot. I have used their services quite successfully, State government ... Actually what I was quite surprised about is, through my involvement with [industry body], is I didn't understand that local government like the Brisbane Economic Development Board which is part of Brisbane City Council! Wholly molely, the number of staff that they engage to support export out of Queensland and import into Queensland, bringing investment in to Queensland is unbelievable! So I don't know why I didn't know that so I'm familiar with the trade and investment Queensland! So I've used them in the foreign markets but I didn't comprehend there's this massive ecosystem of money and grants and people that are there to help SMEs in particular thrive. (Firm B – Small organic agricultural manufacturer).

Chambers are seen by some smaller firms as good for establishing contacts:

I find the Chamber very useful here for making contacts, for understanding trade negotiations, trade, deals, pre-trade agreements, but physically going to set myself up in a country probably I might go down to the Korean Chamber of Commerce or something because when you go to Korea, as a starting point and meeting people and understanding especially in Australia, the Chamber is very good (Firm I – Small professional service – gas and power sector).

While smaller firms see some value in training around FTAs with the chambers, they are not seeing value in the industry tours:

I actually undertook the Business SA export programme last year that they implemented for the first time, so more, so, a lot of it I already knew from what I've been taught with experience over the years but it was a good opportunity to understand the lingo and other things, other areas that you're probably not really that strong on, you know, FTAs and stuff like that. We'll have a basic understanding but in regards to what do you call it when they send a whole group of

businesses when they go to Asia or ... but we probably don't see any sort of benefit to that [industry tours], just what we manufacture, maybe for a manufacturing, big dump-trucks for the mining sector then fair enough but we're a pretty focused business, so we're more of a targeted approach when it comes to other markets (Firm H – Small high tech equipment manufacturer).

However, contrasting views also exist, suggesting chambers show little real interest in smaller firms, regarding them as too small to worry about – seen as frustrating, when many are trying to find ways to engage with overseas markets, including China:

Yeah, previously we used to try and use the government agencies to support us, but it tends to be very expensive, I could say but ... Yeah, but they appear to be not so interested in smaller businesses and more interested in bigger businesses, that's just how I felt. Mind you at one stage I was doing some work trying to grow some Chinese business when this other guy left and we worked with Business SA and they had some local reps in our sister cities in China and they were very good, they were fantastic, but the market had moved on a bit from our product, it was a bit tough competing with the Chinese product price wise (Firm F – Small high tech equipment manufacturer – mining sector).

Views offered by medium sized exporters suggest they would prefer not to use the services of chambers, as they are too general, and would prefer to use their specific industry associations:

We don't go on any of those trade exhibitions or anything, you know, that will lead a trade delegation, we don't really involve ourselves with that. We don't find it very necessary to the way that we do business. There's a lot of industry bodies that are useful like the International [industry] Federation. They have an annual congress where everyone in the industry worldwide gets together and we'll go and meet with customers and potential customers at those events. We find them much more useful than State government or Australian government run things. They don't seem to be very targeted and don't seem to be very advantageous for our involvement, especially with the cost of the outlay. Whereas industry what runs events seem to be much more beneficial...(Firm L – Medium high tech manufacturer).

And the perception, that somehow the quality of the services from DFAT are declining:

We've got a really good relationship with all the DFAT staff here in Adelaide. Certainly, I think they're very, very useful. I think they're getting less useful, not due to the fault of the staff but due to the fault of the fact that there's less of them available. They have less time to give you direction and assist you. I know certainly when I first started it seemed fantastic compared to what it is now. Now they're just, it's probably a lot more difficult to even find a phone number to find the person you want to speak to. So I think there's been a bit of philosophical shift amongst, I guess, the government on who should be doing what and I think they're pushing a lot of the, for example, with [industry] you need to have everything inspected before it leaves by a DFAT officer and they're sort of moving away and saying look we're going to let the industry start doing a lot of these inspections, so we're going to ...

It seems they're trying to privatise a lot of that work, and they've put it back on us which, you know, almost say that's a good thing, which means it's less regulation and everything else. But I think from the bigger picture sort of stuff it's a bit dangerous when you get industries regulating themselves. It's prone to ... there's going to be a few rotten apples that's going to cause issues for the industry if they're not doing the right thing ...(Firm L – Medium high tech manufacturer).

Others have commented on the impression that not only have the services of government agencies and trade been reduced, but so too has the promotion of their services and the coverage of overseas markets. This is not seen as a sufficient and necessary support in the current climate of intense

competition internationally by both medium to large sized exporters. These views are similar to those views expressed by smaller firms:

Yeah, in our early days yes they were but we've particularly noticed a drop off in the availability the access, the promotion of services, typically by Austrade, or organisations such as that. They don't appear to be as active as they once were. They seem to be much more selective in the markets that they're going in to. They don't have the range or coverage, for example, our work in Central Asia, you have to, you know, Central Asia is covered out of Moscow...

Indeed, so if we needed to work ... well we didn't in this case but if we needed to pursue contacts in Central Asia, that's a long way from Moscow, to get the appropriate service and then you just realise well they probably know as much about Kicker Start as we do, because there's no way that they can actually have. Now I do know previously they had an office or Austrade had an office in Almaty in Kazakhstan, they don't anymore, so, we just find that they're ... and then we were trying to do some work in Mongolia and Mongolia's and Mongolia was handled out of Beijing. And, of course, China is a big market as it is. Realistically how can you possibly get people to be covering Mongolia? Now we can't have everybody ... sorry we can't have Austrade in every single market in the world, but I think the pendulum swung too far back the other way, in that, they've significantly cut back their resources and their representation into a few key markets... (Firm N – Medium professional service firm – education sector).

Strong recommendations were made around where resourcing needs to be placed and that markets such as South East Asia and Central Asia should be more of the focus:

My view is that they, their South East Asian spread, as a market they could be putting more resource ... They do have Singapore, they have Bangkok, and they have Beijing City, covering South East Asia for that matter... They're sort of the easy gets. It would be good to have an out-rigger or somebody in those developing markets of Cambodia, Burma, Lao, that sort of area, South East Asia and Central Asia, you know, because from personal experience, you know just the amount of development that's going on there. That's a region with resources and things and so, re-establish the office that they had in Almaty which covered the region there. Then they've really wound back the resources in the US and I think, not necessarily for us but, you know, we're in the US. But the US is our own significant market ... source of investment, They could do more than just have Washington and LA as their sort of trade officers there. And, again, particularly again as we're pretty active in the Middle East we have a fairly big office in located in Dubai, but equally there's Doha, there's Bahrain, there's a number of other markets in of themselves just as important sources of investment and trade for Australia (Firm N – Medium professional service firm – education sector).

Great availability of online forms and streamlined process would assist businesses overall, especially noted by larger businesses:

Improvements,...more online stuff, the ability to do stuff electronically and more online would be great. Sometimes you have to drive over there to get something stamped. So depending where we ship something, then we can do an electronic Certificate of Origin, and that's fantastic you just do it online and they certify it online and everything's great. Other locations, and this is not related to what the guys do here. It's more about how the market that we're shipping to, how their system operates. Some of them, a lot of them don't have electronic services. So they need a paper copy which means we have to go over to the SA Business office. We have to get things personally stamped and then we have to post them to the client or the importer, wherever we're sending the goods. So that's a bit tedious! Of course, these days, everybody expects everything electronically and we're no different so more of that

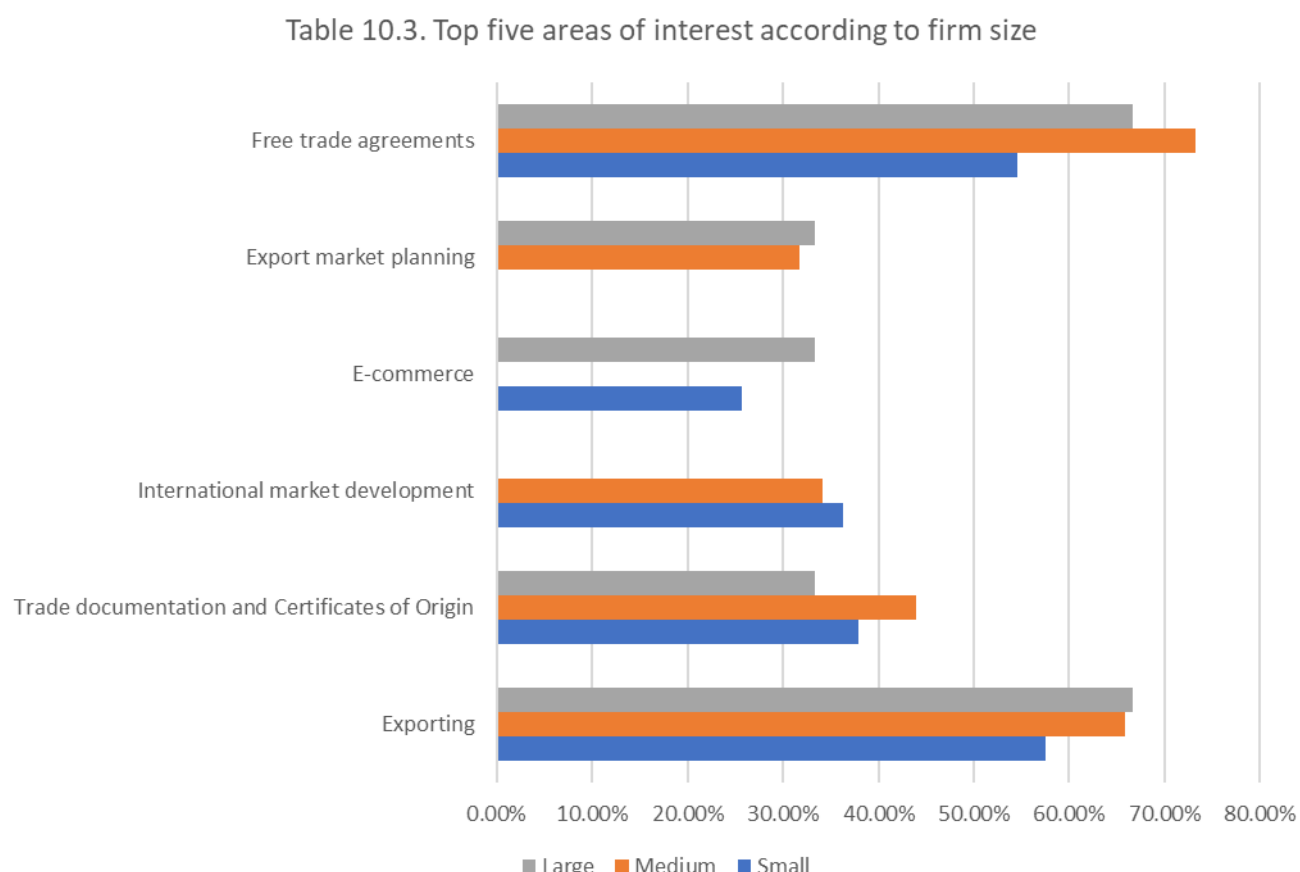
electronic service, functionality and, again, it's not really, I think Australia does it well! It's all these other markets that don't have ... they're not as developed as we might be here, so...

*Yeah, well...the guys that we deal with personally, if I pick up the phone and ask him a question, then my experience is they've always been very good, very approachable, willing to help, give advice all this sort of stuff! Again our need for them are mechanistic in that sense.
(Firm D – Large high-tech engineering manufacturer).*

10.3. INTEREST IN RELATED SEMINARS AND COURSES

All the respondents were asked about top five areas of interest in which the Chambers of Commerce and Industry Associations should provide more assistance and information. Small sized firms expressed their highest interest in exporting (57.58%) followed by free trade agreements (54.55%) (Table 10.3). Both medium and large sized firms expressed their highest interest in free trade agreements (73.17% and 66.67%, respectively) followed by exporting (65.85% and 66.67%, respectively). Interestingly, firms across all sizes considered the trade documentation and certificates of origin as the third top area of interest.

Table 10.24. Top five areas of interest according to firm size



From a qualitative perspective:

While smaller exporters appreciate the online efficiency of trade documents and certificates of origin, it is often easier to manage this in person:

Yeah, so I am ... they do have an online platform, where you can sort of fill it out on line and then email it to them and they'll stamp it and send it back. I didn't mention to them that I thought it was a little bit outdated and i'll probably struggle with it a bit so what I've been doing with the Certificate of Origins for Chile in particular I've just been personally going in there, going up to the front counter, paying my ... it was 50 bucks but now it's \$30 because I'm a member of Business SA. So, and then sort of go back to work. It's not the most economical way, but while we're just that busy, it's just easier to duck out for half an hour and just get it sorted! (Firm H – Small high tech equipment manufacturer).

Others suggested that a more streamlined, online service centrally administered for consistency and clarity would be beneficial:

It is hard to find out about COOs and who to go to and where to go to obtain these certificates. Recommending a streamlined process, a centrally administered system for certificates. It could be run by individual chambers, local chambers, but operated through a central government portal to links into Federal Government. It would be very helpful. This way we would have to file them automatically through a central system. Much better and more efficient and consistent. And easily updated...(Firm O – Small healthcare products and cosmetics).

Respondents were asked about their interest in trade related seminars and courses. The majority of respondents, across all cohorts would like to learn more about FTAs (62.18%) (Table 10.4). This finding is in line with the 2014, 2015 and 2016 results. This was followed by exporting (61.34%).

With regard to firm size differences, while medium and large firms considered FTAs to be first place in their interest, small firms indicated their strongest interest in exporting. Table 10.3 outlines the top five areas of interest according to firm size. Overall, the results show a strong interest for learning more about trade related issues, e-commerce, and international market development and highlight possible areas for service offerings.

From a qualitative perspective:

Smaller firms need more assistance with managing their time schedules to be able to attend courses advertised by DFAT at short notice – greater notice about training would help:

They sent me some information a while ago inviting me to go to some training courses, but this was a couple of days, and a couple of days out of someone's business, you know ... I didn't apply to the business to go because, you know ... I think I would probably have to work pretty hard to convince them, it was worthwhile, if we don't really have the people to watch for clients to comply (Firm F – Small high tech manufacturer – mining sector).

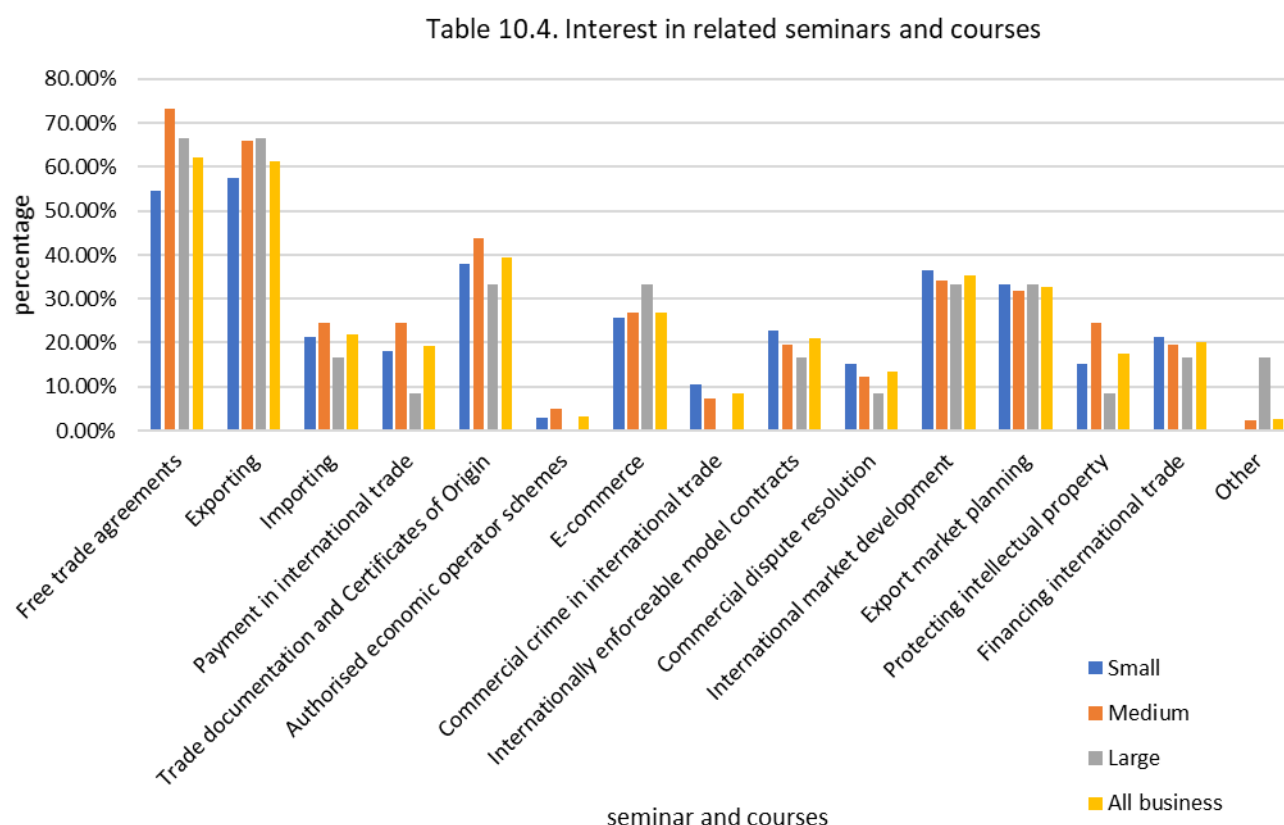
Frequently, smaller firms express their concerns, even frustration as not being regarded as important by local chambers. Many smaller firms need assistance with initial steps around international market development and export market planning:

No! No I once asked them for some help but it wasn't much and in the [Arts] business they're not very helpful! I'm not big enough you know ... I'm not important enough! ... Well if they want export trade to build up I think they should promote more training and you know from the ground up just you know baby steps that I would need! Because you know I mean I've got about three degrees from university. It's not like I'm dumb but I'm not very clever at; I'm good at shopping but not good at selling as much! But it's not something you know it's not rocket science. It's do-able you know (Firm G – Small online professional service).

In addition, smaller firms are asking for more government support to assist with training in the international market development and export market planning phases:

No, I fundamentally believe that the government needs to provide trade support programmes, do not even raise [sufficient support] for me, this is hard and fast, that's ... if you are ... I can give you a general and I can give you a specific. So, the general for me is that given that the majority of businesses in Australia are small businesses, there is not the resource base internally to deal with these massive opportunities! It is overwhelming! It's difficult in the approach of a lot of markets! The ability of the government and the trade service to provide support is absolutely necessary. I think it's one of the most critical things (Firm E – Small agricultural tourism).

Table 10.25. Interest in related seminars and courses



From a qualitative perspective:

Information on FTAs through training, which smaller firms are prepared to pay for, is very much needed, to support new opportunity recognition. Again, typically, comments include a feeling of being uninformed, even overwhelmed by FTAs:

Yeah the only time I used the FTA was to, I think it was Indonesia and Thailand, but as I haven't exported there for a while I haven't needed to. I haven't used it. I know there's an FTA in Malaysia but I haven't, but my buyers have never requested it because I'm unsure whether it is on my products going into Malaysia. I don't really know enough about the FTA in Malaysia to be quite honest and I don't know what it covers. People have tried to help me but I've never really found out what it's all about or what products that I export whether it would cover those or not... Pay for [in-house training]... Yes why not! (Firm K – Small agricultural manufacturer).

Training inhouse, is seen as a very attractive way to learn about international trade, documents, transactions, etc, as an add on to online modules. However, time and travel are frequent impediments to people having time to attend and avail themselves of the services:

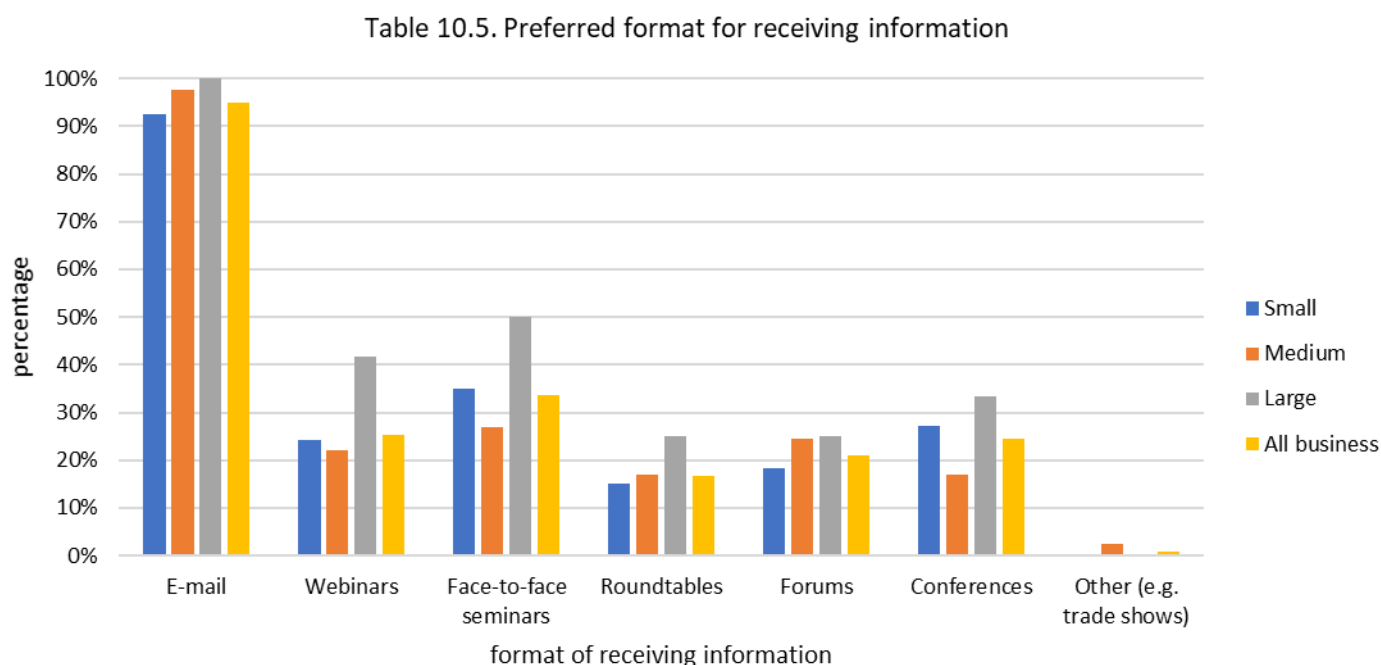
So, SA Business, I've seen, they promote training from time to time where you can spend a day or two there and they'll pull people in, including DFAT and so on, and they'll have training courses. I've never attended one simply because I'm based in Brisbane, the business is based in Adelaide and like the owner did in his early years, I'm doing it in reverse. I'm commuting to Adelaide a couple of weeks in the month. So, I've just never found the time to attend one of those, but they would really be the best channel. Online training is great, but you know it's still the same the amount of time you have to spend face to face similar to the offerings that SA Business have offered in the past, they would be the best way of doing it...Look on average probably once a month with SA Business. We've found them to be excellent for the services

that they provide that we use. They seem to communicate well and we get regular emails from them promoting services and there's probably more we could do, like the training for technical trade and so on, documentation for trade, transactions and so on. We could do more with them if we had the time, but we've been very happy with SA Business, they're pretty much our main point of contact with the Chambers of Commerce. (Firm D – Large high-tech engineering manufacturer).

10.4. PREFERRED FORMAT FOR RECEIVING INFORMATION

Respondents were asked to provide their preferred format for receiving information. Over 90.00% of respondents indicated email to be their first priority. This was followed by face-to-face seminars (33.61%) and webinars (25.21%) (Table 10.5). All firm sizes favoured email and face-to-face seminars in the first and second place. However, whilst small firms preferred conferences to be the third place, medium firms indicated forums as the third place and large firms considered webinars as their third preferred format for receiving information.

Table 10.26. Preferred format for receiving information



10.5. SUMMARY

The results from this section reveal that most respondents, across all firm sizes, were either 'moderately satisfied' or 'very satisfied' with the trade services provided by the Chambers of Commerce and Industry Associations. A small percentage of respondents noted being 'unsatisfied', although this figure had increased from the previous year. Across the board, all cohorts reported higher levels of dissatisfaction in 2018 compared with 2016, 2015 and 2014 results, which suggests an improvement in the perception of Chamber of Commerce and Industry Association trade services is needed. Zero per cent of large firm respondents stated they were 'unsatisfied' with the service provision.

In terms of areas of most interest to business, the results show the majority of respondents are interested in learning more about FTAs, with small firms identifying international market development tools as their number one interest.

Recommendation 21:

Chambers of Commerce and Industry Associations should do more to increase the awareness of the benefits of their service offerings.

11. CONCLUSIONS

The purpose of this study was to investigate the attitudes of Australian businesses on the issues and challenges facing international traders. Overall, the 2018 results are largely consistent with the 2014, 2015 and 2016 results. The findings of this study showed that overall, nearly half of all Australian businesses were engaged in both exporting and importing and nearly half, in exporting only. Businesses engaged in importing only, were the smallest segment representing less than 3 per cent of respondents. The results reveal that the highest proportion of respondents overall, over 61 per cent, currently trade with China, this is especially high for larger businesses. The second highest trading partner of all businesses was New Zealand, followed by the USA and Singapore. Across all businesses sizes, Australian businesses favoured trade with countries like China, Singapore, Taiwan, New Zealand and the USA, with most businesses seeking to diversify their bilateral trade.

Despite various channels available for all firms in seeking information for market opportunities, firms still preferred to conduct their own investigation rather than rely on the assistance or services from government or other parties when seeking market opportunities. Notably, 2018 is the fourth year that overall international competitiveness remains the number one concern for Australian businesses, for goods and for services trading. Thus improving competitiveness of Australian businesses should be the government's priority. For combined goods and services, new product development and ability to service international markets, followed by international competitiveness were the top three trade issues. Nearly half of all large firms (44.44%) rated this as their number one trading issue for 2018, however, exchange rate and red tape were the first and second most concerning trade issues for large businesses. For medium businesses, overall international competitiveness, non- tariff barriers, and equally, progress on free trade agreements and too high exchange rate were the top three concerns regarding trade issues. For small businesses, red tape, overall international competitiveness and a too high exchange rate were the top three concerns regarding trade issues.

With regard to trade administrative issues, the quality of all listed issues in 2018 was lower than those of 2014, 2015 and 2016. Most notably, despite the ranking of all listed issues, except for trade agreements, and certificates of origin, the mean value of all listed issues for 2018 was lower than those of 2014, 2015 and 2016. This suggests the quality of all administrative issues needs improving to support and enhance business satisfaction. Relevant agents involved need to be notified of these problems and their behaviours need to change in the future, if we are to support future improvements in international business engagement for all business sizes.

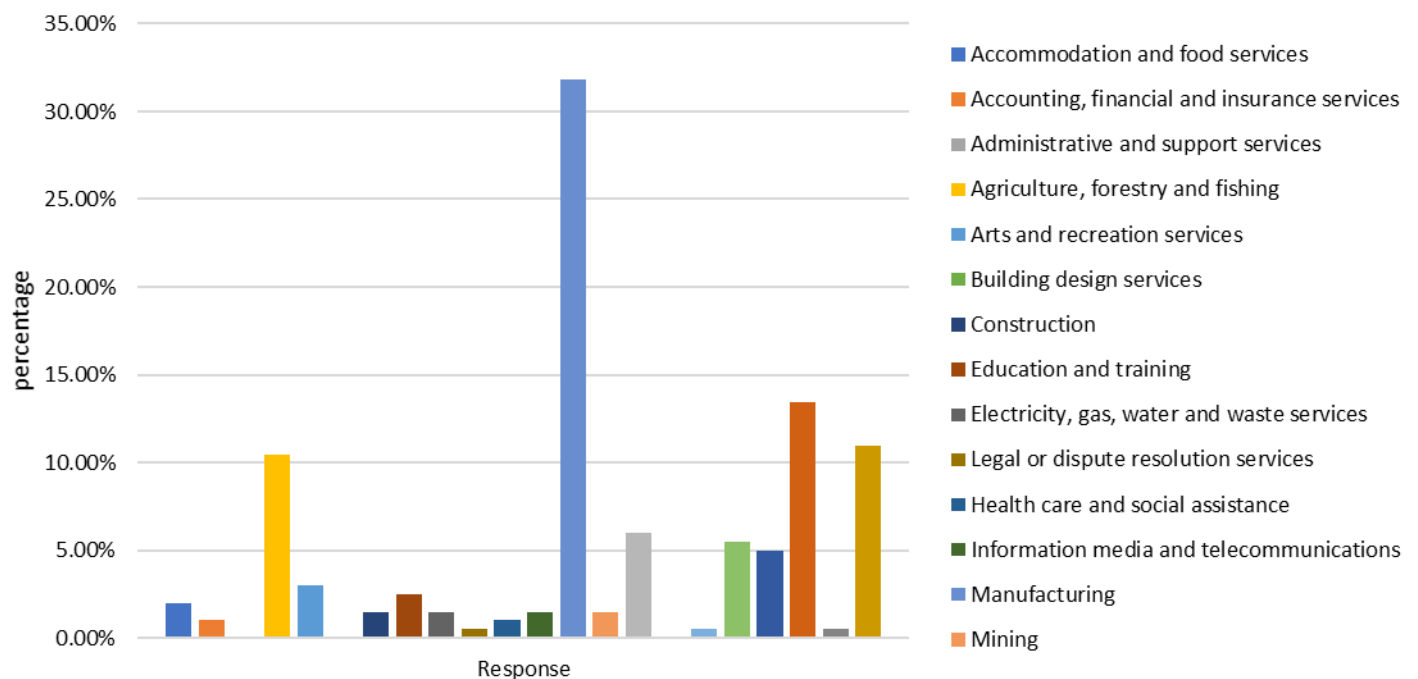
Similar to the 2014, 2015 and 2016 results, businesses were either not aware of the trade support initiatives available to them, they did not appear to address their needs, or the benefits businesses gained from these services did not compensate for the costs involved. Notably, smaller businesses felt ignored and not important to government agencies and trade and industry associations. Similarly, the majority of businesses especially small and medium firms continued to not understand and not use FTAs. The most useful FTAs were first, the China-Australia FTA, followed by the ASEAN-Australia-New Zealand and Australia-USA FTAs, for all businesses. This suggests a need for more effective knowledge transfer about our full list of FTAs, and their uses and benefits to small and medium firms. Further, while Chambers of Commerce and Industry Associations provide a wide range of trade related services to Australian businesses, nearly half of respondents (47.90 per cent) stated they did not understand these services well.

The level of unsatisfied respondents with the services provided by Chambers of Commerce and Industry Association for all businesses rose from 4.2 to 5.88 per cent from 2016 to 2018. Nearly a quarter of all businesses in 2018 reported that they never used these services. Thus, the availability and efficacy of such services needs to be re-evaluated, coordinated and advertised more effectively. Over 90 per cent of respondents indicated email to be their first priority for receiving information, followed by face-to-face seminars. The results provide significant insights into how to deal with

business barriers in international trade, the differences across small, medium and larger businesses, and how to improve the efficiency of government, chambers of commerce and industry association initiatives, to meet the future needs of Australian businesses in order to improve trade engagement.

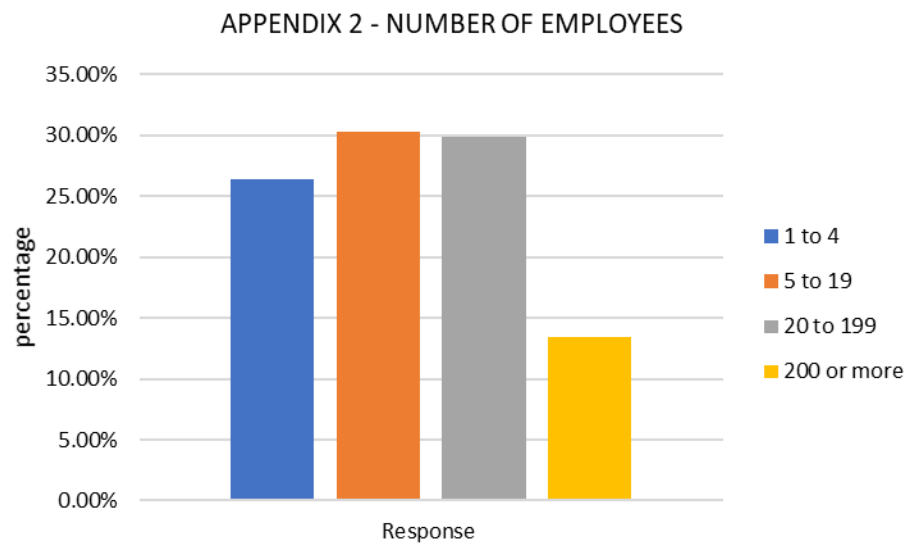
APPENDIX 1 – SURVEY RESPONDENT CHARACTERISTICS

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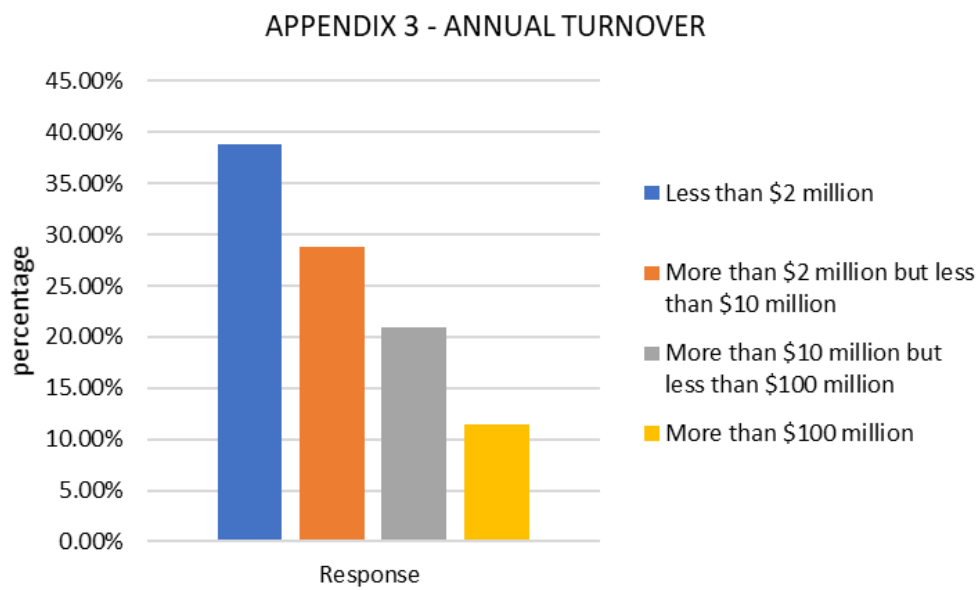
Industry	Response
Accommodation and food services	1.99%
Accounting, financial and insurance services	1.00%
Administrative and support services	0.00%
Agriculture, forestry and fishing	10.45%
Arts and recreation services	2.99%
Building design services	0.00%
Construction	1.49%
Education and training	2.49%
Electricity, gas, water and waste services	1.49%
Legal or dispute resolution services	0.50%
Health care and social assistance	1.00%
Information media and telecommunications	1.49%
Manufacturing	31.84%
Mining	1.49%
Professional, scientific and technical services	5.97%
Public administration and safety	0.00%
Rental, hiring and real estate services	0.50%
Retail trade	5.47%
Transport, postal and warehousing	4.98%
Wholesale trade	13.43%
Tourism	0.50%
Other	10.95%

APPENDIX 2 - NUMBER OF EMPLOYEES



Number of Employees	Response
1 to 4	26.37%
5 to 19	30.35%
20 to 199	29.85%
200 or more	13.43%

APPENDIX 3 - ANNUAL TURNOVER



Annual Turnover	Response
Less than \$2 million	38.81%
More than \$2 million but less than \$10 million	28.86%
More than \$10 million but less than \$100 million	20.90%
More than \$100 million	11.44%

APPENDIX 4 – CASE DESCRIPTIONS

Managers who participated in the interviews discussed their attitudes towards international business issues, based mainly on their experience of working within particular firms. We refer to these firms as cases throughout the report. As shown in Table 1, the firms were from a range of industries and varied in size from small (0-19 staff) to medium (20-199) to large (200+).

CASE DESCRIPTIONS

CASE NO.	Role of interviewee	INDUSTRY	SIZE	STATE
A	Senior Export Manager	Agricultural manufacturer	Large	Tasmania
B	Managing Director	Organic agricultural manufacturer	Small	Queensland
C	Senior Export Administrator	Agricultural manufacturer	Medium	New South Wales
D	General Director of Engineering	High tech engineering manufacturer	Large	Queensland
E	General Manager	Agricultural tourism	Small	Tasmania
F	National Sales Manager	High tech equipment manufacturer – mining sector	Small	South Australia
G	Managing Director	Online professional service – arts sector	Small	Northern Territory
H	Director	High tech equipment manufacturer – commodities	Small	South Australia
I	Director of International Operations	High tech manufacturer – gas and power sector	Small	Victoria
J	Marketing Manager	Agricultural manufacturer	Small	New South Wales
K	Director	Agricultural manufacturer	Small	South Australia
L	International Marketing Manager	High tech manufacturer	Medium	South Australia
M	Co-founder and Director	High tech manufacturer – games sector	Small	Victoria
N	Director International	Online education sector	Large	Australian Capital Territory
O	Operations Manager	Healthcare products and cosmetics	Small	Victoria

OUR MEMBERS



CHAMBER



INDUSTRY ASSOCIATION

