



University of  
South Australia



Australian  
Chamber of Commerce  
and Industry

# Fourth Australian Chamber National Trade Survey

**2018 - EXECUTIVE SUMMARY**





## About the Australian Chamber of Commerce and Industry

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.

### Fourth Australian Chamber of Commerce and Industry National Trade Survey Report 2018

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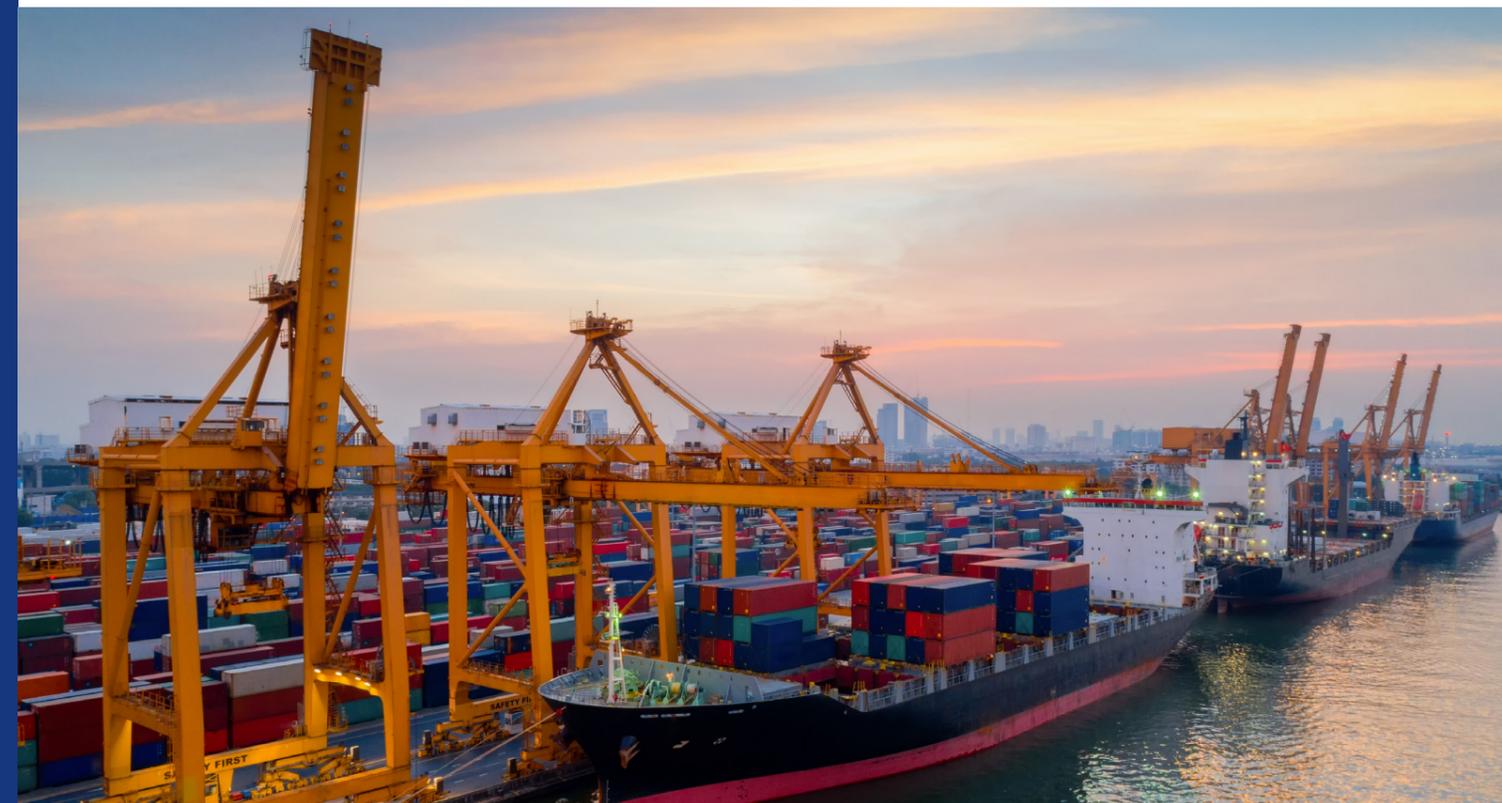
The ACAB is a community of leading academics in the fields of Business, Commerce, Law, Management and Marketing dedicated to producing high-quality research on Asian business, and broadening the Australian understanding of the Asian business environment.

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## CONTENTS

Foreword	5
Key Findings	6
Executive Summary	7
Size Matters	8
Competitiveness Challenges	10
Trade Support Services Need Improvement	11
Better Experience With Intermediary Services	12
Trade Finance Needs Work	13
Businesses Still Don't Understand & Utilise Trade Agreements	14
Crime & Corruption Lower	15
Where To Next?	16
Businesses Want More Information	17
Recommendations	18





## 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 opportunities and key 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](http://www.australianchamber.com.au) to read the full report.

**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

Businesses 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 Australian Chamber of Commerce and Industry National Trade Survey**. The 2018 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.

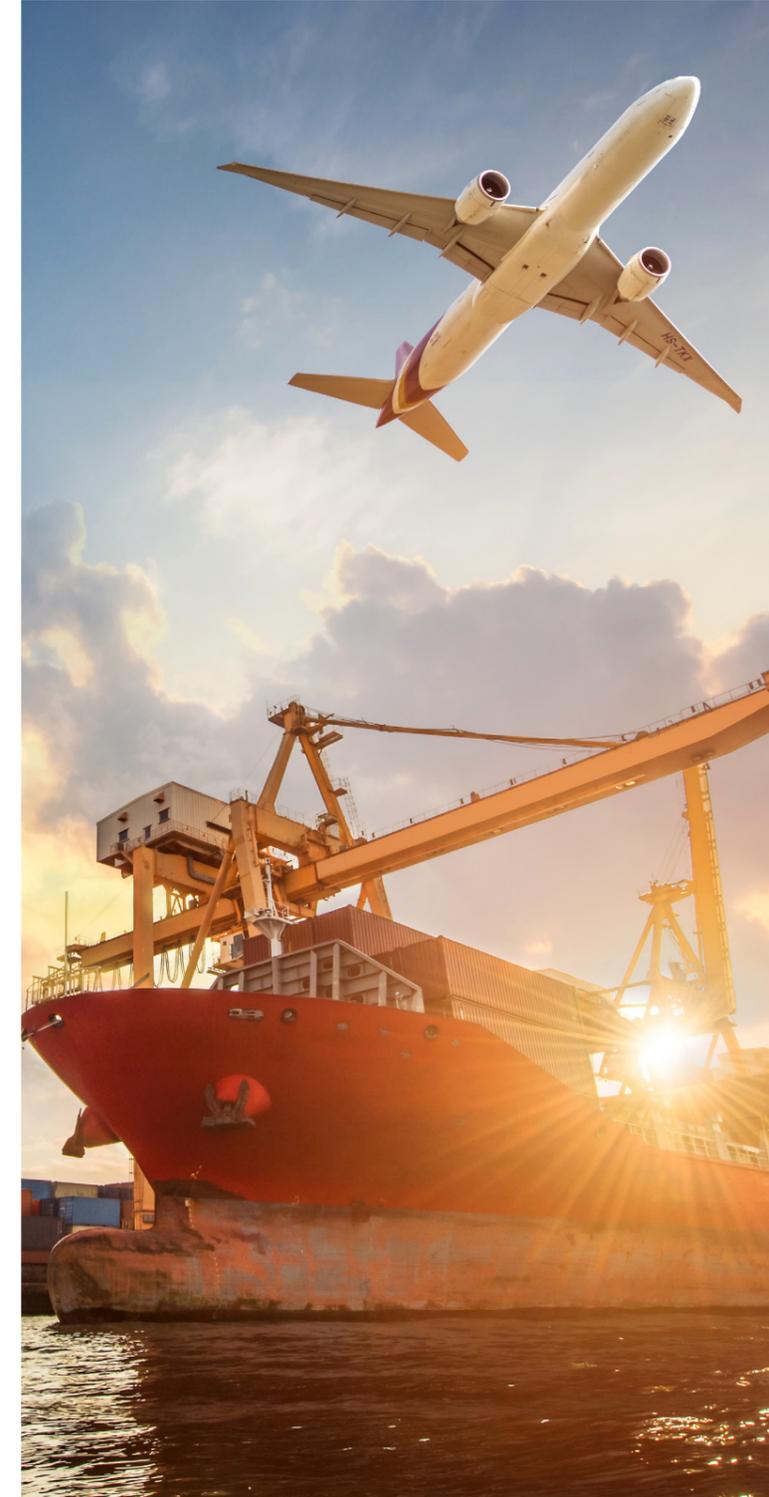
### IT'S ALL ABOUT CHINA, THEN NZ, USA, SINGAPORE

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 businesses 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 firms stated China as the most commonly engaged market, especially large firms (81.5%).

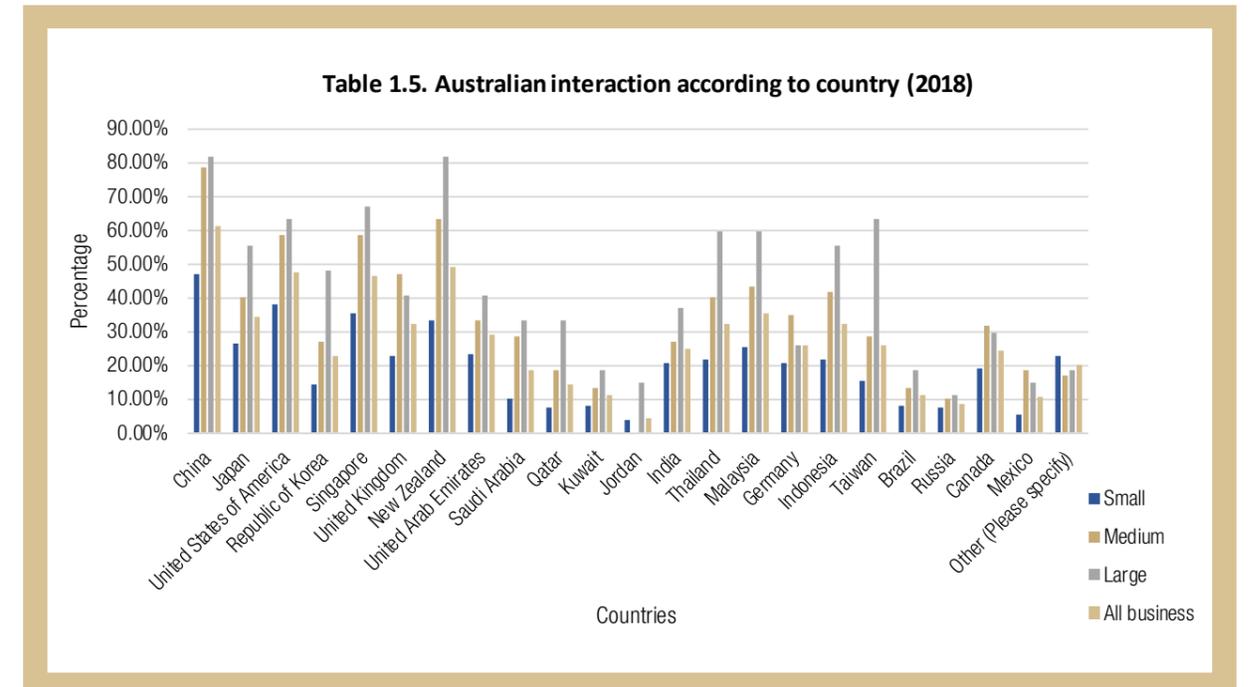
Unlike SMEs, larger firms reported more experience and resources to deal with increasing levels of global competition, in contrast to smaller, less experienced and resource poor firms, highlighted in our qualitative findings.

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).

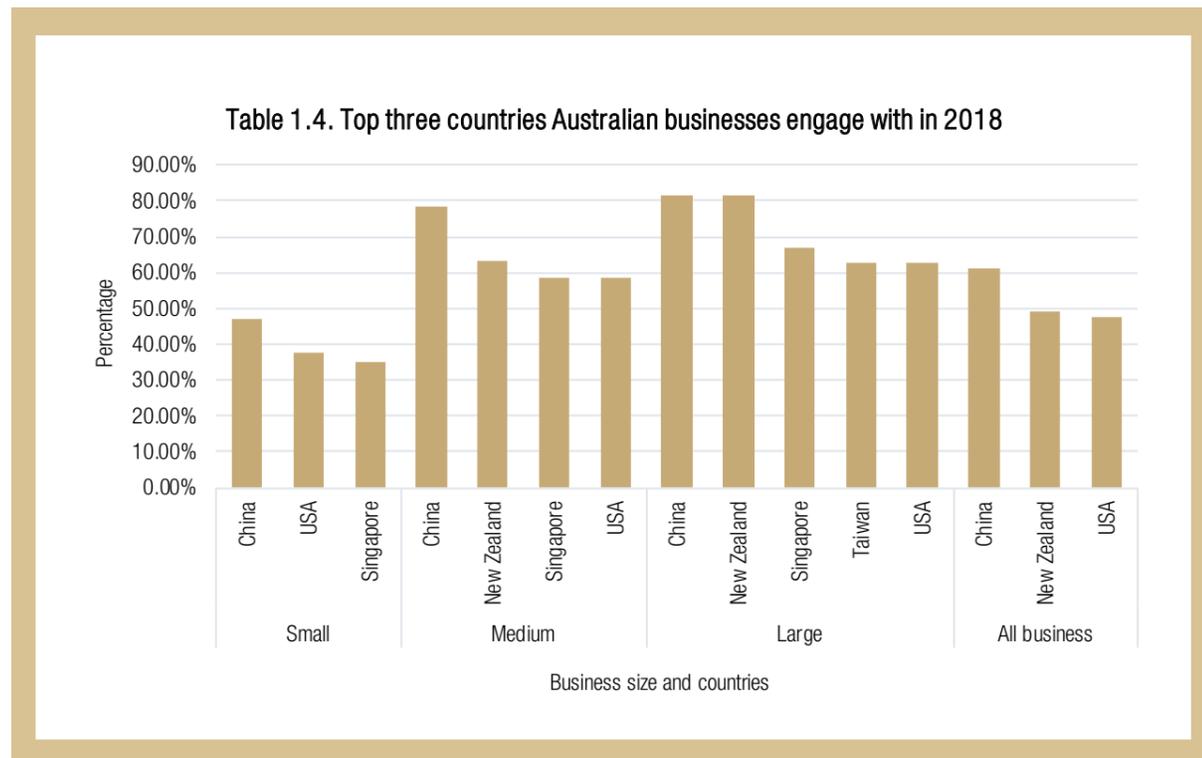
In 2018, small firms' top three trading countries included China (47%), the USA (38%) and Singapore (35%), highlighting increased reliance on China, where competition is at its greatest, and less diversity in destinations, given the greater focus on advanced rather than other emerging markets, with greater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



“...the Trump influence has had an impact, they warn to buy American products, so that makes it a little bit...its hard work getting in...”

- Firm F – Small high-tech equipment manufacturer



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.

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 psychologically 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.

“China’s the one for us because that’s the biggest market, 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 are our customers there.”

- Firm A,  
A large agricultural manufacturer

## 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.

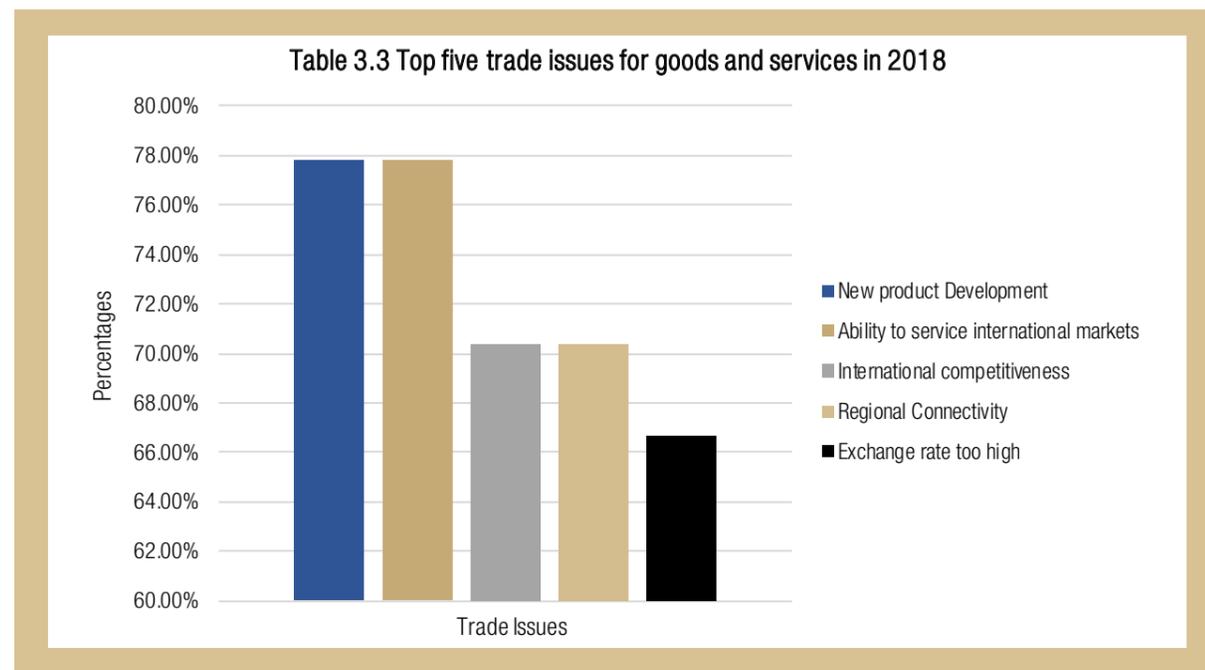
Whilst “red tape” and “exchange rate” were two out of the top three trade issues reported in 2014, 2015 and 2016, these issues have been replaced by “the ability to service international markets” (78%) and “international competitiveness” (70%) in 2018.

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 to our production region... we're lucky enough to source livestock in the Channel Country, which is one of the most unique production routes in the world.”

- Firm A,  
A large agricultural manufacturer



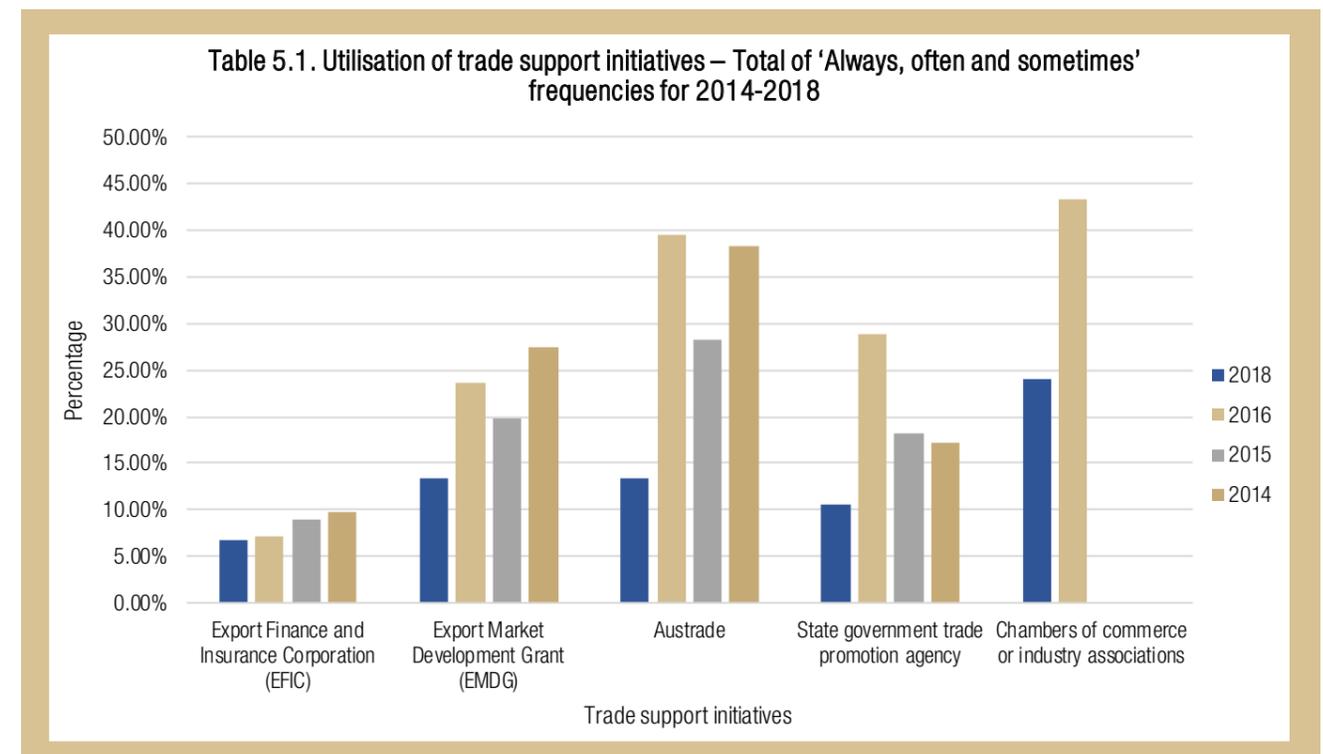
## TRADE SUPPORT SERVICES NEED IMPROVEMENT

Respondents in 2018 were again asked to rate their experiences 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% 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 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.

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. For example, 68% of businesses never used EFIC and 52% of businesses had never used state government trade promotion agencies. **Alarmingly, 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 in reducing red tape, is through Customs. People tick the wrong box when things are dispatched and so they just sit there for a couple of days and then the local Customs threaten to send the goods back because a particular duty hasn't been paid. These sort of red tape issues get in the way of doing quick business. But other than that, I think the government should focus on just reducing red tape as a whole."

- Firm F,  
A small 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.

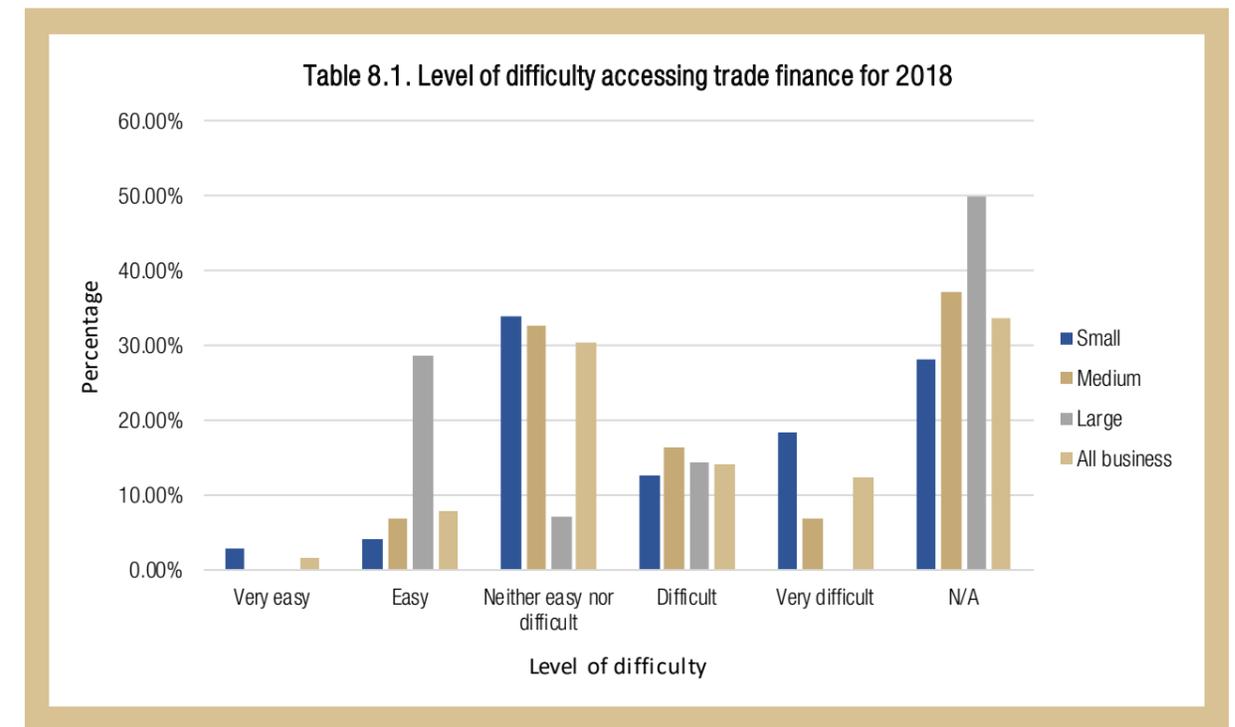
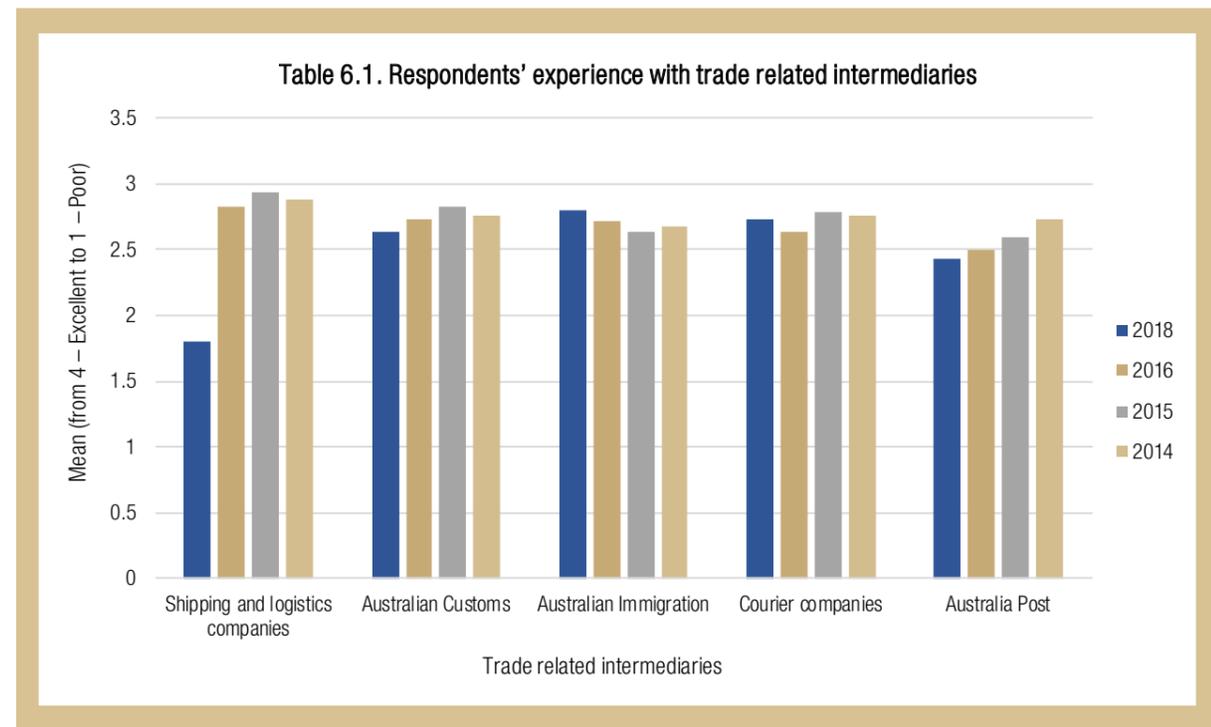
The 2018 results show that 26.5% of all businesses experienced difficulties (combined 'difficult' and 'very difficult' categories) in accessing trade finance (see Table 8.1).

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 agricultural manufacturer



## BUSINESSES STILL DON'T UNDERSTAND AND UTILISE TRADE AGREEMENTS

The 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.

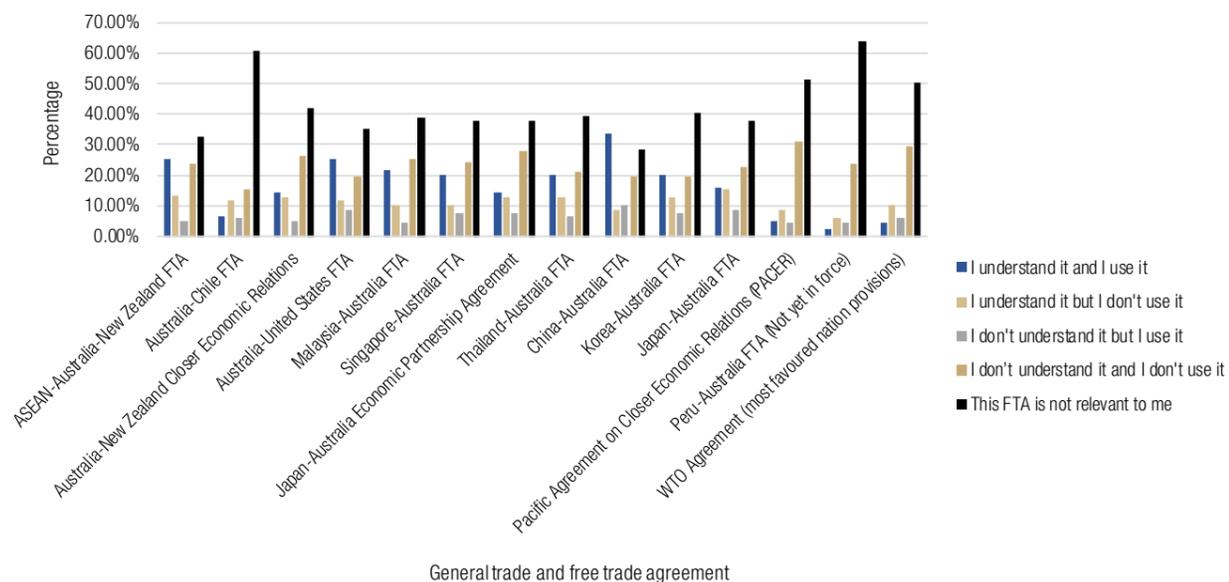
Interestingly, the figure for businesses understanding of general trade and FTAs but don't use them ranged from 5.9% for the Peru-Australia FTA to 15% for the Japan-Australia FTAs. Most notably, the highest rate of both understanding and use was 34% for the China-Australia FTA.

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, so I've just sort of ignored them. I haven't really paid much attention to them."

- Firm J,  
A small agriculture manufacturer

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



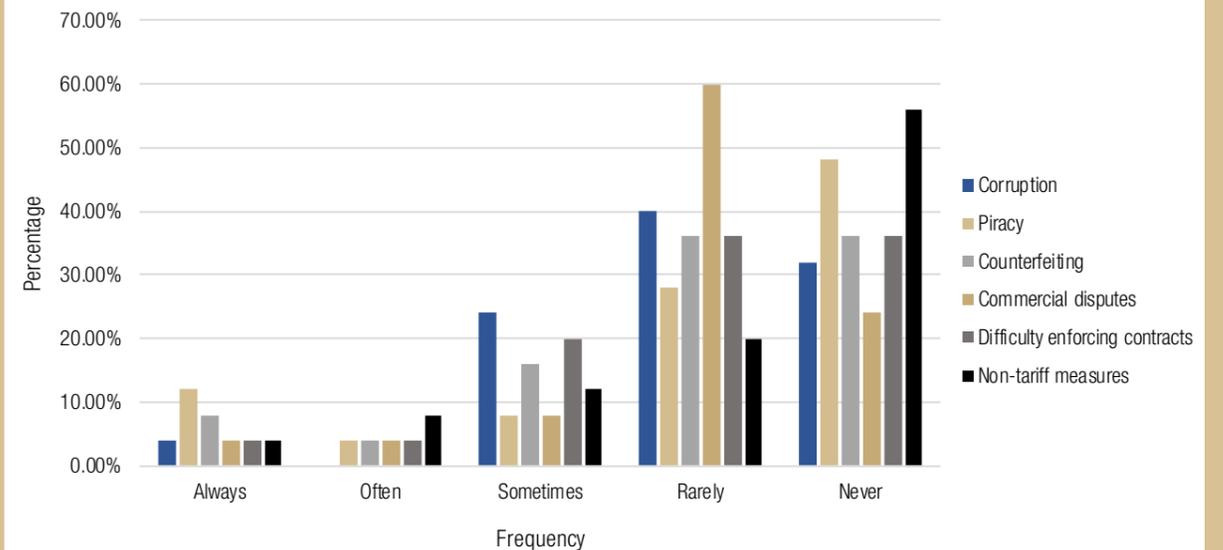
## CRIME AND CORRUPTION LOWER

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'.

Table 7.2. Problems businesses experience in international trade for 2018 – All business



## 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).

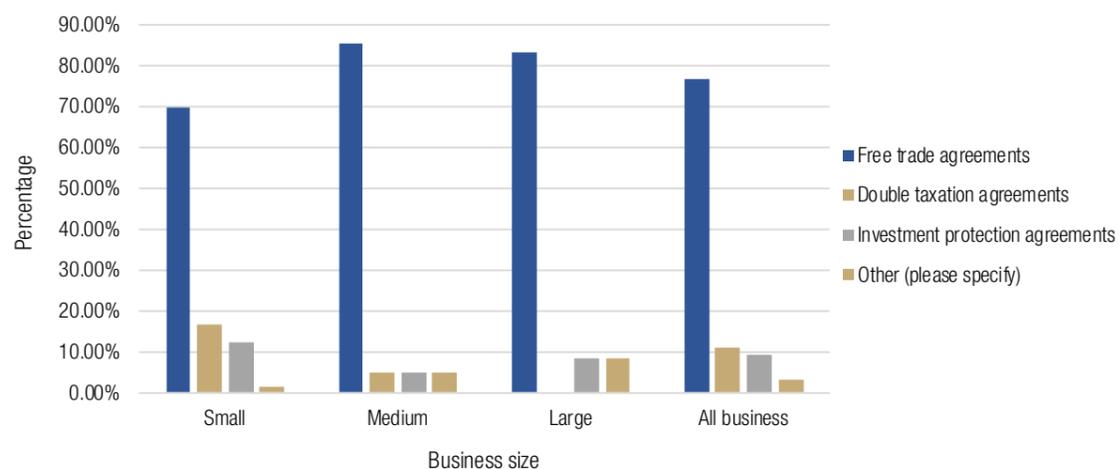
This was followed by the European Union (37%). The least priority was given to both Africa and South America (7.5%), yet the qualitative findings emphasise greater interest. The results diverged according to firm size.

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 emphasised, 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%.



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



## BUSINESSES 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 a 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 highlight this last point and emphasise the problems different firms face and why, regarding accessing suitable training.

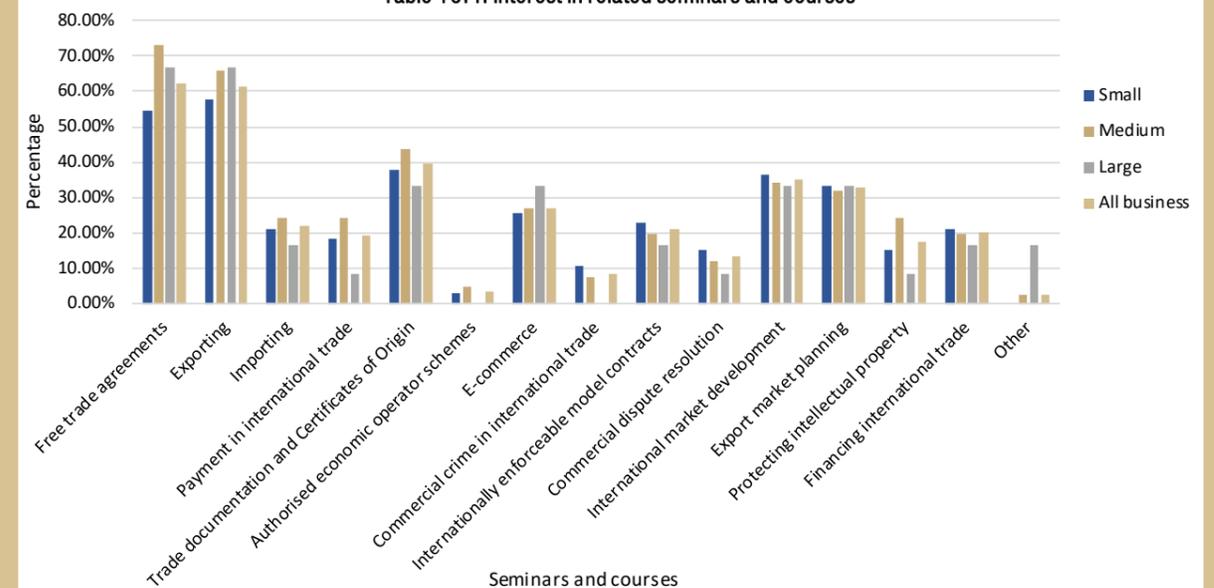
Finally, survey respondents were asked about their top five areas of interest in which the Chambers of Commerce and Industry Associations should provide more assistance and information. Small sized firms expressed their highest interest in exporting (57.5%) followed by FTAs (54.5%) (see Table 10.3).

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 emphasise the problems different firm sizes face and why, regarding accessing suitable training.

**Table 10.4. Interest in related seminars and courses**



## RECOMMENDATIONS

Australian businesses engaged in the trade of goods and services face many current and future challenges.

The Australian Chamber has put forward fifteen recommendations to help keep Australian businesses internationally competitive.

### 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.

#### Recommendations 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.

#### 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 ISSUES

#### 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

#### 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.

# OUR MEMBERS



## CHAMBER



## INDUSTRY ASSOCIATION

