

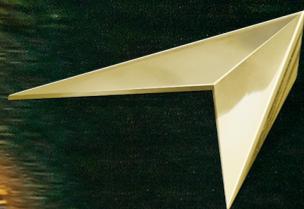


Australian
Chamber of Commerce
and Industry

NATIONAL TRADE SURVEY 2021



University of
South Australia



KEY FINDINGS & RECOMMENDATIONS

AUTHORS' FOREWORD

The Australian Chamber of Commerce and Industry (ACCI) conducted its fifth National Trade Survey during one of the most volatile times for global trade in recent history.

On January 31, 2020, the World Health Organisation (WHO) issued a Global Health Emergency in response to COVID-19 and thereafter until the present day, trade and the movement of people have been severely disrupted.

The results of this survey are notable for two reasons. After five surveys with different respondent cohorts, the fact that many of the results across multiple years and cohorts arrive at similar outcomes shows that many of the issues and concerns raised are enduring and need to be addressed.

The second reason is that the qualitative views were captured during both the global pandemic and concurrent geopolitical tensions.

The report makes 20 recommendations to improve the international trade environment for Australian businesses and we look forward to working with the Federal Government to implement them.

Susan Freeman Ph.D
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KEY FINDINGS

Survey respondents demonstrated a kaleidoscope of business outcomes, depending on individual circumstances and an ability to adapt to the changing conditions. There were several issues that stood out however, such as an inability to compete, inconsistent online services, and the impact of industrial relations actions on already stressed supply chains.

TOP ISSUES

International competitiveness was the number one trade issue for firms operating as both 'goods' and 'goods and services' businesses, while red tape was the greatest issue for the services sector.

In fact, over the last six years our international competitiveness has been ranked as the most egregious issue on average. Survey respondents rated their top five trade issues for 2020 - see Table 1.

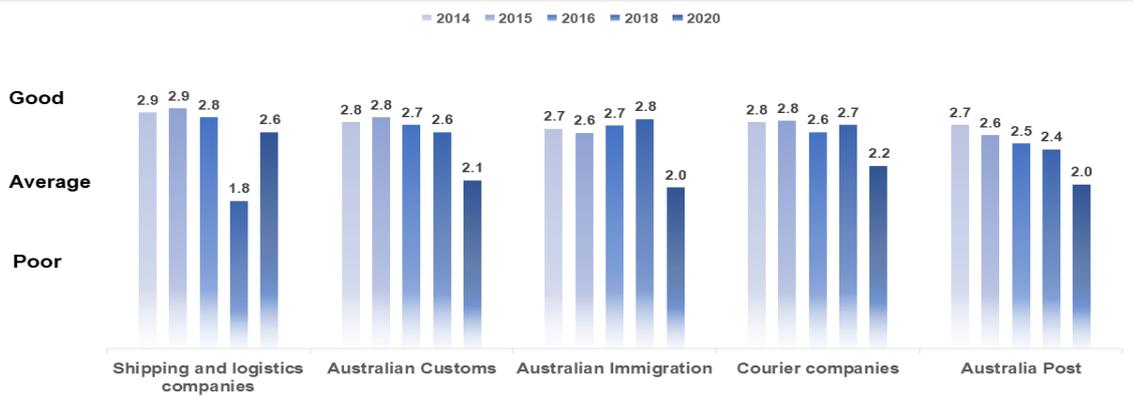
IMPORT PARTNERS

All exporters rely on imports, as do many domestic businesses within Australia. COVID exposed our reliance on a narrow range of import trading partners. Firms responded by altering their supply chains, increasing stocks or inventory, consolidating their position domestically, or even taking advantage of lower domestic competition to gain a stronger foothold in domestic markets.

Table 1: TOP 5 TRADE ISSUES (each group is a separate self-selected cohort and not added together for goods and services)

	GOODS					SERVICES					GOODS & SERVICES				
	2020	2018	2016	2015	2014	2020	2018	2016	2015	2014	2020	2018	2016	2015	2014
International competitiveness	1	1	1	1	1	3	1	1	1	1	1	3	1	1	1
Non-tariff barriers	2			5					5					5	
Red tape & complexity of rules	3	2	2	3	3	1	2	2	3	3	5		2	3	3
Tariffs applied to exports	4														
High exchange rate	5		3	2	2			3	2	2	3	5	3	2	2
Marketing		3					3				2				
New product development		5					5					1			
Regional connectivity		4				4	4					4			
Ability to service international markets			4		4			4		4		2	4		4
Customs & border costs				4	5				4	5				4	5
Market entry/access			5			2		5						5	
Enforcing contracts						5									

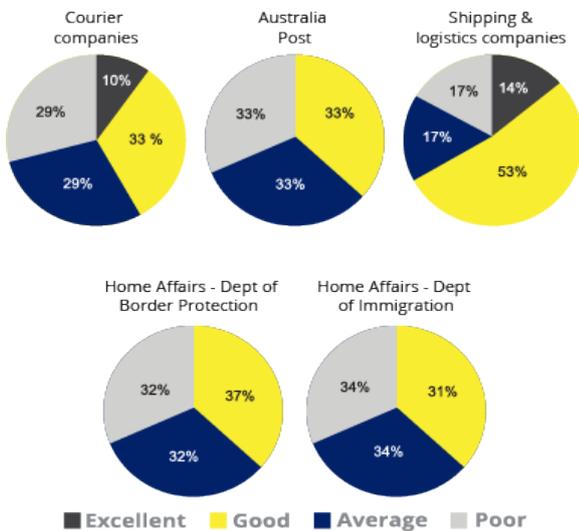
Table 2: Experience with intermediaries - mean score from 1 (poor) to 4 (excellent)



INTERMEDIARIES

Respondents commented positively on shipping and logistics services, with experiences improving considerably from 2018 (Table 2). However, the cost of freight dramatically escalated, hampering competitiveness.

Experience with intermediaries in 2020



The opportunistic actions by unions at ports exacerbated already stressed supply chains and had a severe negative impact on businesses and consumers.

Airfreight was and continues to be severely impacted by COVID-19 border closures and the corresponding loss of routes, and the International Freight Assistance Mechanism (IFAM) support from Government is still essential to keep this operating.

Respondents also suggested an overhaul of our port operating systems, better aligned with international models. Acting on a national scale, as opposed to in isolation, ports would be able to coordinate facilities and improve Australia's competitiveness.

JOBKEEPER

JobKeeper assisted many businesses, particularly internationally engaged firms impacted by border closures, to maintain at least some of their workforce through the pandemic. Even so, businesses reported that thresholds for eligibility didn't reflect that some businesses operate over longer cycles than by month, quarter or year on year.

Given the continuing disruption to supply chains, globally, Government support will continue to be necessary for some businesses and these longer-term cycles need to be considered as the support evolves and becomes more nuanced.

BILATERAL TRADE BY COUNTRY

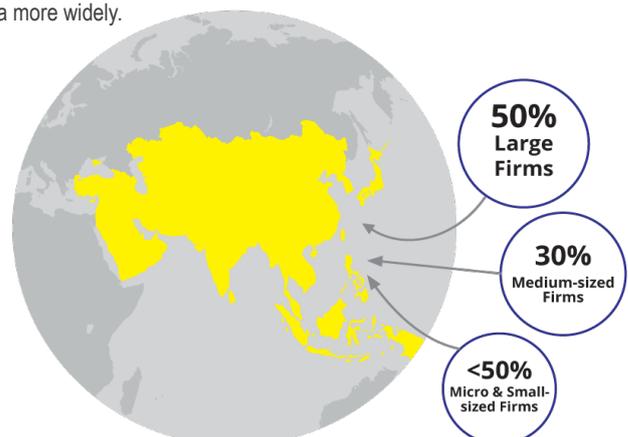
China continues to be the most frequently listed trade destination, more so than in 2018 and 2016 reports. This is followed by the United States, Singapore, New Zealand, and Indonesia.

It is important to highlight a note of caution with the selection of Indonesia as the fifth top country as many survey respondents were from WA and may not fully represent the engagement from other States. For this reason, we have included the United Kingdom in our list as an alternative 'top five' country.



Larger firms are the most reliant/focused on Asia. Nearly 50% of trade for micro and small firms is also in Asia, while medium-sized firms focus on the USA and NZ for over a third of their trade. These comparative figures of focus/reliance and spread of countries suggest different risk profiles for firm size.

A lack of engagement with European countries and the complete absence of trade with Latin America, Middle Eastern and African nations in the top five trading partners can be observed. Japan is also absent from the top five. The significance of Indonesia, for larger firms predominantly in the mining and oil industries in WA, demonstrates continued expansion of interests into Asia more widely.

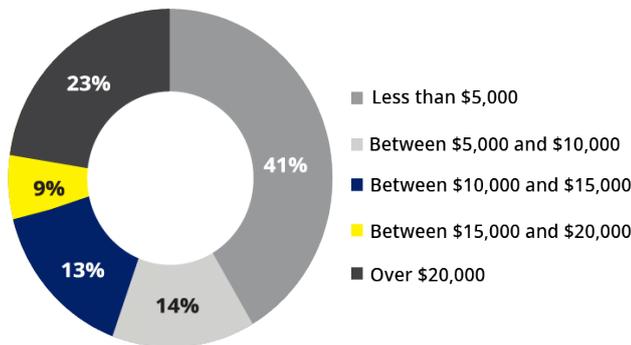


MARKET OPPORTUNITIES

The survey found a sharp increase in all businesses seeking information (Table 3) about market opportunities using online sources, irrespective of size.

The impact of COVID-19 resulted in the rapid adoption of online systems for engagement as travel was significantly curtailed after February 2020.

A large proportion of companies surveyed indicated they spent less than \$5000 on private market visits in 2020.



These figures are likely to have been severely impacted by closed international borders and also the increased number of firms now relying on e-commerce and internet-based means of communication out of necessity and to increase their efficiency and productivity.

Many firms had reduced travel internationally prior to COVID-19 because of the expense and time involved in being away, and now with the COVID-19 era many more firms are moving to digital forms of communication.

Firms reported that international customers and suppliers are increasingly accepting this means of communication as the new normal, but it is still very problematic, especially for firms wanting to access new markets or expanding their customer base and products into existing markets.

Surprisingly, participation in trade missions is regarded as the least important area for businesses to gain information regarding trade opportunities.

BORDER CLOSURES

Impacts were felt from many aspects from the ability to service customers, exchanges of ideas and IP, along with workforce issues. Firms responded innovatively but as they note the digital communications technology helped to reduce the impacts, but it did not replace the total value of face to face interactions and relationship building.

Digital will continue to be embedded in business - we need the appropriate technology capacity to support a future digital economy at a global scale.

LABOUR SHORTAGES

Well known impacts of COVID restrictions were corroborated in the survey. Firms are heavily impacted by the inability to source international workers or students (which also make up a valuable component of Australia's labour force).

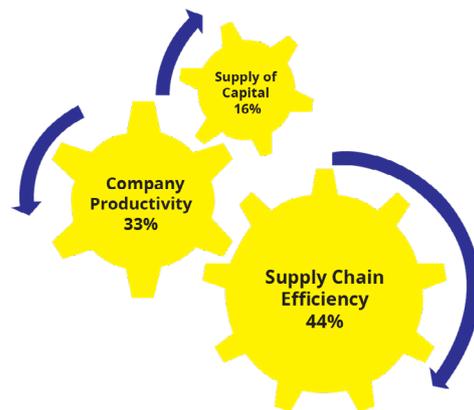
We need to understand that skilled workers, working holiday makers and students have alternatives and won't necessarily return to Australia if we delay our border opening.

“As the border closures have got more erratic or intense it's meant that pools of available labour have been shut down.”

SUPPLY CHAINS

Respondents were asked to rank which factors were most likely to affect their firm's maximum capacity to deliver products per shipment.

Ranked in order of significance, 'supply chain efficiency' was ranked as the most significant factor for businesses of all sizes, followed by 'company productivity' and finally 'supply of capital'.

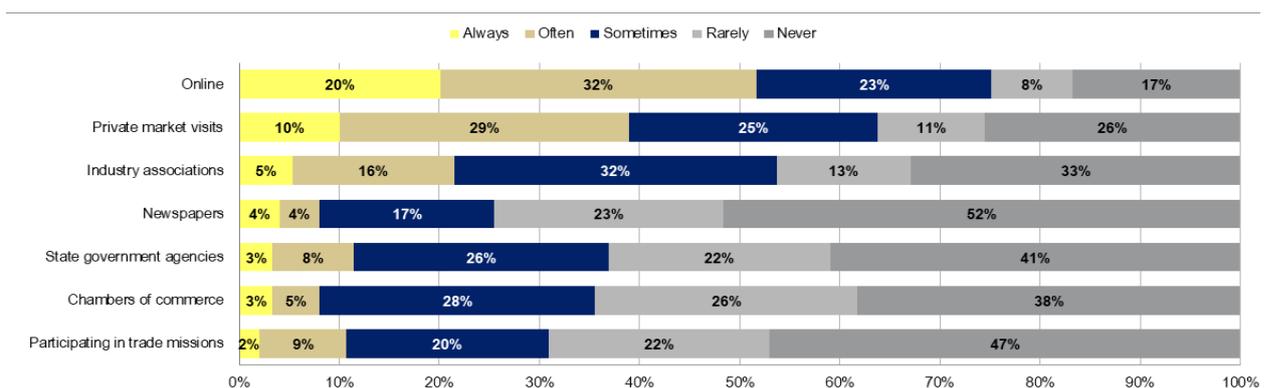


HIGH EXCHANGE RATE

Firms revealed the impacts of high exchange rates on their business. A wide variety of approaches were discussed from holding USD denominated accounts, only dealing in AUD and seeking payment upfront.

But other issues were also uncovered such as the high transactions costs imposed by online platform financiers which undermined business confidence in such systems.

Table 3: Where businesses seek information about opportunities



UTILISATION OF SUPPORT

The survey revealed the differences in State and Federal Government support services, especially experienced by businesses that operate across multiple states. It found trade missions not that useful once a firm had gained experience and contacts in a market, but of definite benefit to those just starting out.

Chambers of Commerce and Industry Associations consistently outrank the agency services in the eyes of business and so there should be greater efforts to form a “Team Australia” approach that considers greater synergies between the various players to provide better support for our internationally engaged companies.

Grants and awards were seen as useful assets for businesses to be recognised as doing well but also to assist with cashflow in difficult times. While on the whole Austrade is seen as a positive and supportive service, during the challenges of a COVID-19 era further diversified support is needed.

“What we really used, and what we could not have done without, was the EMDG and the R&D grants. They were...the difference between starting business in Australia and starting business really anywhere else in the world...particularly the States.”

TRADE AGREEMENTS

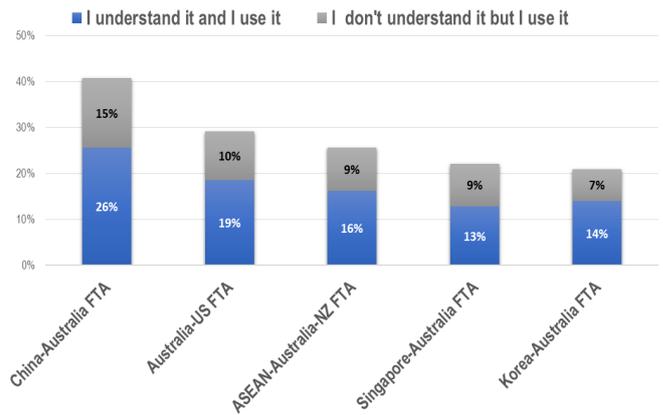
It was interesting to observe that when offered a range of agreements, the greatest positive responses put multilateral agreements ahead, if not equal to any given bilateral or regional agreement.

However, when only offered Australia’s current range of bilateral and regional agreements, CHAFTA was the most important, reflecting the continued general importance of our trade relationship with China over all others.

Businesses were not fearful of the collapse of the agreement given current tensions and in fact pointed to the juxtaposition of political posturing against the signing of new agreements including China.

However, respondents also indicated a poorer understanding of the most used FTAs relative to the less used agreements.

Table 5: Utilisation of FTAs



TRADE DIVERSION

Firms pointed out that the preference of nations seeking bilateral and regional agreements also causes negative effects when other nations gain preferential access into important markets where Australia doesn’t have an equivalent agreement.

FUTURE FTAs

When polled about the prospects of future agreements and with whom these agreements should be pursued, India was regarded as the leading nation of future potential opportunity.

CHAMBERS OF COMMERCE & INDUSTRY ASSOCIATIONS

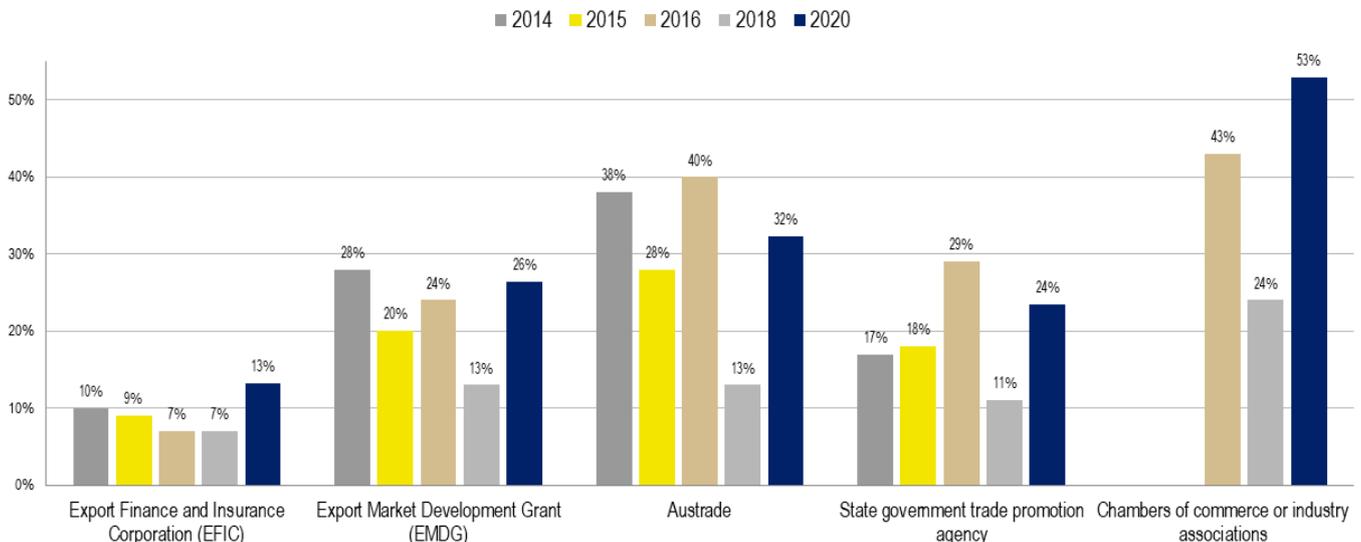
The survey showed there is a low level of understanding of the trade services offered by Chambers of Commerce and Industry Associations.

However, 91% of businesses who use the services indicated they were satisfied.

It could indicate that the landscape of support services for international trade is fragmented and results in confusion about what services are available and by whom.

Certificates of Origin are highly regarded but that’s not to say the system can’t improve.

Table 4: Utilisation of trade support initiatives – Total of ‘Always, often and sometimes’ frequencies for years 2014-2020. Chamber of Commerce response was not available before 2016



RECOMMENDATIONS

TRADE POLICY

Recommendation 1:

Treat imports, exports, inbound investment and movement of people as a complete landscape - all must be functioning well for a healthy trade ecosystem.

Recommendation 2:

Integrate freight and logistics services into trade policy and address the serious lack of competitiveness impacting Australian businesses.

BILATERAL TRADE BY COUNTRY

Recommendation 3:

While greater efforts need to be made to ensure the success of Australia's relationship with China as a major two-way trading partner for the continued benefit of both business and consumers, diversification in trading partners is an urgent focus.

Recommendation 4:

Develop a complete trade policy engagement plan to encourage engagement across a more diverse array of nations and continents, as 99% of the world's customers lie outside Australia.

INFORMATION & OPPORTUNITIES

Recommendation 5:

Develop a tools, skills and infrastructure plan to extract the best advantage from a digital world, especially given the rapid technological advancements emanating from and driven by the COVID era.

Recommendation 6:

Implement high-speed digital access across Australia that is consistent and effective to meet and keep pace with future needs and development.

Recommendation 7:

Provide additional support to assist SMEs to refine their business model to ensure greater efficiencies, and especially in developing new customers through digital e-commerce.

BORDER CLOSURES

Recommendation 8:

Build a blueprint for international engagement post COVID to give confidence to businesses. ACCI recommends adoption of its [Vaccine Policy Part 2 – International Restart \(May 2021\) Plan](#).

INTERNATIONAL COMPETITIVENESS

Recommendation 9:

Improve Australia's international competitiveness by addressing the high corporate and personal tax rates, which create a harsh business environment for high tech knowledge intensive export-dependent startups in Australia.

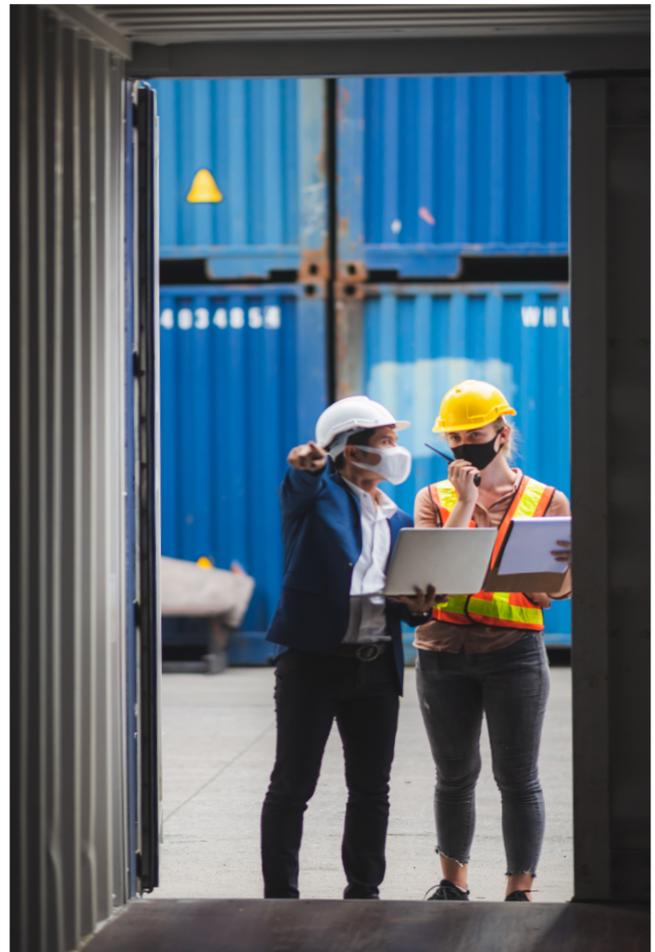
NON-TARIFF BARRIERS

Recommendation 10:

Address non-tariff barriers unable to be resolved at the firm level through greater government-to-government interactions, while resolving the loss of skills and experience as a result of the 'revolving door' of trade and ambassadorial staff.

Recommendation 11:

Provide clear, easily-located, fit-for-purpose Government services, training and events that support business in a digital world, covering the complex web of regulatory compliance, including training and resources around website development, from geocoding to correct tax and currency rates.



SUPPORT INITIATIVES

Recommendation 12:

Implement a seamless “Team Australia” approach between Government, Chambers of Commerce and Industry Associations that provides a package of support measures for importers and exporters, including:

- Providing a designated relationship person to assist with import and export regulations (e.g. customs, visas, freight costs) to improve their export readiness and engagement with international vendors and customers.
- Training to develop an international market strategy, digital engagement and new product development, across a more diverse range of countries.
- Timely responsiveness supplemented with a streamlined online grants process.

Recommendation 13:

Minimise unnecessary compliance, complexity and duplication associated with trade support and grants.

Recommendation 14:

Eliminate Government’s fee-for-service charge so Aus-trade and other agencies refer clients on for more specific support to providers who offer commercial support services.

TRADE FINANCE

Recommendation 15:

Promote and make accessible, trade finance to small and medium-sized businesses especially in the early start-up phase and to recognise the impact of their life-cycle on funding needs.

Recommendation 16:

Reduce administrative complexity in trade finance, critical for SMEs who experience challenges in obtaining funding through the banking system, leaving them reliant on self-funding or private lending firms.



TRADE AGREEMENTS

Recommendation 17:

Implement an improved awareness campaign of the benefits of FTAs to business, with continued analysis of the economic benefits Australia is potentially gaining from such efforts.

Recommendation 18:

Improve the awareness of non-China FTAs in order to diversify our interests.

TRADE SERVICES

Recommendation 19:

Support online trade training (which includes Incoterms 2020 and Certificates of Origin procedures) to improve import and export readiness, new product development, digital processes and servicing international markets.

Recommendation 20:

Chambers of Commerce and Industry Associations to increase the awareness of the benefits of their service offerings and develop much more effective lobbying strategies to influence government outcomes, especially for reforms needed regarding excessive regulations that are difficult for SMEs to mitigate.





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