

## 2022 FEDERAL ELECTION POLICY STATEMENTS

### TRADE AND INTERNATIONAL ENGAGEMENT

#### Statement by Innes Willox

#### Chief Executive of Ai Group, Australia's national association of employers

#### Key Points

- As a mid-sized economy Australia needs a comprehensive engagement strategy with the world; to build economic and security alliances and to work towards a positive global environment that supports the efforts of our businesses and citizens as they operate in a dynamic and connected world.
- Fostering internationally competitive firms and supporting them with strong advocacy on maintaining open and consistent global trading rules are key to protecting Australia's prosperity. With closed borders and international shipping and supply chain problems affecting many businesses' usual operations, this is a time to assist companies to reset their export strategies and encourage both existing and new exporters to renew their commitment to export.
- In today's challenging geo-security environment Australia needs to increase investment in regional relationships, shore up trusted supply chain partners with comprehensive trade agreements, investment and R&D cooperative arrangements and leverage all aspects of diplomatic soft power at our disposal.
- Practical near-term measures should include:
  - An increase in funding to the Export Market Development Grant from \$223.4 million to \$250 million to ensure that it is able to adequately support the ambitions of 100% of applicants.
  - Offering 20 hours of offshore Austrade support to those exporters who have utilised their full EMDG entitlement, but need assistance in renewing contact with existing customers, or introductions to new customers.
  - Implementation of a transition plan for the end of the International Freight Adjustment Mechanism. This requires assisting exporters to explore a business model that reduces reliance on air freight or increase tolerance for higher freight rates in the near future.
  - Implementation of an expanded development agenda that improves the governance and administration capabilities of economies in our region.

#### Policy Approach

With the COVID-19 crisis, fundamental changes in consumer behaviour, supply chains, and channels to market are knocking businesses off balance. Responding to the pandemic has underscored the need for exporters to review their business model, adopt agile ways of

working and value chain transformation to manage uncertainty and challenges caused by these disruptions.

The Federal Government's announcement of 19 March 2020 that Australia's international borders were to close that caused the biggest single disruption to the largest number of exporters in living memory. Closed borders meant physical separation from customers, suppliers and strategic partners compounded with global pressures on air and maritime logistics industries. These unprecedented disruptions and circumstances call for exceptional measures to help businesses adjust their product offerings and export business models to meet the changing global business environment. Many companies are also keen to re-engage existing international markets, protect their existing markets, and stay afloat, while fostering stronger engagements through new channels to market. However, many lack the skills, knowledge, resources, and connectivity to adapt to post-COVID freight logistics and export recovery.

While the historically high freight rates might have undermined the international competitiveness of Australian goods exporters, for the majority of our members in a recent survey (57%) it was the sheer availability of freight that was the biggest factor that inhibited their ability to maintain or grow exports in 2021, including the inability to negotiate routes or departure times. However, all cannot be immune to the dramatic increase in container rates and almost 40% of exporters cited the cost of freight as the biggest barrier to their business.

With one in five jobs in Australia connected to trade, it is important to remember that many exporters are also importers and 19% of exporters found that the disruption to imported inputs restricted their exports. Unsurprisingly, restrictions on travel to overseas markets hampering the ability to service overseas clients; build overseas networks; or move staff to new or existing projects was identified by 19% of exporters. More broadly, the closed borders, both internal and international, also exacerbated staff shortages, which constrained the ability to meet increased demand.

The International Freight Adjustment Mechanism (IFAM), introduced to equalise the diminished airfreight options once Australia's international borders were closed has been an important tool to support exporters of high value time sensitive agricultural exports. Once the borders are fully reopened and the IFAM program is wound up, there is likely to be a delay in the return, or partial return, to 2019 airfreight service levels or prices. We need to be cautious during this transition that we don't appear to be providing subsidies to exporters, which would be contrary to our international treaty obligations and public advocacy.

There are a few programs that are assisting companies to improve their export business models and prepare them to adapt to post-COVID freight, logistics and supply chain settings from reconfiguration of global value chains, multi-modal transportation, freight forwarding, warehousing and inventory management. Technological advancements in packaging, increased shelf life and remote manufacturing are all opportunities for Australian exporters to remain engaged in international markets while limiting exposure to the vagaries of international freight rates and availability. These programs need to be expanded nationally and available to all industries.

Travel and insurance costs are expected to remain high for some time, which will compromise the ability for many exporters to visit new and existing customers in as many markets as they would like. Austrade's overseas network is world-class and an important resource that should be made available to experienced exporters who have already utilised their full EMDG entitlement and need assistance to re-start their export efforts. At current EMDG funding

levels about 20% of claimants are not receiving their full entitlement. Increasing funding to \$250million will ensure that Australia's exporters are well positioned to make their contribution to Australia's post Covid economic recovery.

While other countries take a transactional view to Foreign Aid; building infrastructure that requires the purchase of materials and expertise from the donor country, Australia focuses on capacity building that will make a material difference to transforming the recipient's economy. Ai Group understands and supports this view, however we ask that priority be given to industries that match Australia's economic interests. This will assist in removing the behind the border barriers that limit the success of Australian exporters and prevent developing economies from reaching their potential.