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“How to make APEC and the WTO work for business”

(Transcript)

I want to talk about some of the challenges that small and medium-sized businesses face in gaining access to export markets, and how both APEC and the World Trade Organization can help by levelling up that playing field a little better, and making business easier to conduct across national borders.

As you mentioned, I did run a small business. And I know how tough it can be, and the resilience that small business owners need to show, because so much of what happens to your business is outside your control. And you need to work pretty much on those things that you can control to have that capacity to survive and grow.

We know that businesses that are smaller have to compete with the big players, and those big players have got more money, more information and

the other advantages of size. And that just means that it is always that little bit tougher for the small businesses.

And when you've got good ideas as a small business owner, and the drive to grow, then understanding the potential of new markets and being able to access them with confidence is fundamental to business success.

It's obviously a lot harder for small businesses to break into export markets, and the statistics show even harder to stay there. In business, being big helps overcome many of the barriers to trade across borders. In our own country, one in 50 Australian businesses exported goods or services last year, but this increases to around one in three when you just look at large businesses. And they're the ones who earn most of the export revenue.

About half of all Australian businesses that exported goods last year were medium-sized, but they accounted for less than 6 per cent of export earnings. And around 40 per cent of exporting businesses were small, but they only accounted for half of 1 per cent of export earnings. And the same is true right across APEC: small and medium businesses make up a very large share of total numbers of exporters, but contribute only a small amount to total export revenue - usually less than 30 per cent.

But if the APEC region is to continue to grow strongly, then obviously more small and medium enterprises will need to plug themselves into the regional production networks.

Small and medium businesses don't have the same specialised departments, or the cash reserves and resources that are available to establish multinational corporations. And that does make it harder for those small businesses to overcome obstacles like a lack of market information and the complex domestic regulations that they confront in foreign markets.

And, really, when you think about it, addressing these sorts of issues is exactly why APEC exists. APEC gets governments and businesses together to learn from each other and to cut the compliance costs and transport costs and reduce uncertainty.

At the APEC Trade Ministers' and SME meetings in Big Sky Montana in May, we identified some of the main trade barriers faced by small and medium enterprises. They often find it unsurprisingly difficult to access finance. If they want to use international receivables as collateral, or need longer time periods to pay, they can struggle to source the funds from smaller commercial lenders.

And it's harder for them obviously to internationalise and to identify market opportunities overseas. They find it harder to deal with complex regulations; they face more limited options in terms of transport and often higher costs, including the cost of insurance with smaller inventories typically with small businesses. Customs delays hit the small businesses harder than they would hit the larger businesses. They have less access to information so can struggle to understand the foreign legal regulatory and technical requirements. And also they can find it more difficult to protect their intellectual property.

So by reducing these barriers, APEC helps businesses peer over those borders - not just one but 21 national borders - to seek out new buyers for their goods and their services. And, in truth, much of APEC's broad agenda is focused on opening up opportunities for small- and medium-sized exporters.

We know that strong, open and efficient markets provide the kind of business environment that allows small and medium enterprises to integrate into the region's production network.

You may be aware that Australia has been a strong supporter of APEC's trade facilitation and supply chain connectivity agenda, which boosts the ability of small and medium enterprises to move goods and services around the region. We've also agreed to lead work in APEC on making it easier for small and medium enterprises to navigate the highly variable legal, regulatory and technical requirements across our economies.

Identifying overseas opportunities can be a real barrier to small and medium enterprises, particularly for services suppliers. And that's why last year Australia announced we would develop the Services Trade Access Requirement database known as STAR. The STAR database is an online tool to help service providers from APEC economies access new export markets.

It already covers 11 APEC economies and five services sectors: financial, mining and energy; professional; telecommunications; and transport and logistics. Next year Australia will work with other countries to expand this database to all APEC members and the education, distribution and ICT services sectors.

Now, everyone here recognises how difficult it can be for small and medium enterprises to break into new markets if governments work in isolation and develop their own complex regulations. It takes time and money to understand the laws of a new land. In Australia we're a single nation, but if you look at it literally we are up to eight different markets because we have eight states and territories. And, in so many areas affecting business, those states and territories have different regulatory arrangements.

The Government has embarked upon a reform program across 27 areas of business reform, and that was in my previous incarnation as Minister Assisting on Deregulation. The 27 areas were identified simply by me

getting all of the reports that had been prepared over the previous year; picking out a yellow highlighter; putting all the reports on my desk and on the floor and wherever I could put them; getting the yellow highlighter going through them, and I came up with 27 areas. So if anyone ever asks you how that happened, that's the answer.

If I kept going we could have found more, but even then the Business Council of Australia thought we'd bitten off more than we could chew; that it was overly ambitious. But I'm pleased to report that of those 27 areas of business regulation, reforms have been completed in 13 of them. And we expect to have the rest before 2013. We've actually brought forward the completion date of that.

And so it is an example of working across jurisdictions in order to achieve, in our case, a seamless national economy. That's been the whole purpose of this.

Well, you will have heard that phrase if you've been associated with APEC, particularly last year, because in APEC we've been working towards a similar goal, and that is a seamless regional economy.

We'll remove as many of the impediments for small business growth and development as we possibly can.

So we're obviously seeking to address the same problem there, and I've made the remark before that trade policy and economic reform are indivisible. The trade policy actually drives economic reform, because if you open your economy up then you need to give your businesses the best possible chance. And you can't do that if you're unwilling to reform the domestic economy to lift their productivity and therefore their competitiveness.

And that's why Australia's new trade policy, that I wrote and released in April, makes the point that the best trade policy is economic reform. And in a sense the best economic reform is trade policy, because they drive each other.

So, in working to make a better international trading environment for small and medium enterprises, we recognise the importance of domestic reform.

Structural reform is one area where domestic reform can help economies adapt to what's going on in the world around them. And allowing countries to focus on areas where they have natural advantage makes their citizens obviously more prosperous and resilient, as identified way back in 1776 by Adam Smith - the division of labour and the gains from trade. And that's why even now Australia has been leading work within APEC on structural reform.

We've provided \$3 million to help run two workshops on structural reform; we'll continue to support that work next year. We will continue at home to do the same thing, and in the process help Australians make the most of Australia's place in the Asian region in the Asian Century.

One initiative that we're taking is to help our manufacturing industries move up the value chain by building skills and innovation in our economy. And Prime Minister Gillard has set up a taskforce to map out a shared vision for the future of Australian manufacturing and help strengthen local firms as they work to compete.

But we'll continue beyond that to advocate reform through the multilateral trading system. I think it's fair to say that Australia has taken a very active role in seeking a new pathway for the Doha Round of global trade talks. It's our firm conviction that when we're seeking to achieve a global economic recovery, that the best way of doing that is to open our economies up to

trade. In fact I, for the life of me, can't think of a better way or even another way to achieve economic recovery because, pretty well given that fiscal stimulus has had a good old workout and monetary easing has had a good old workout, and no-one has ever believed that they are anything other than a short-term way of kick-starting an economy out of a recession. So, long-term it's got to be global trade liberalisation, and that's why we have placed so much emphasis on it.

Now, we have come to the view that the Doha Round can't be completed in one big lot because everything has depended on everything else. And we found that we couldn't get progress on any of the key parts of the Doha Round, because countries were saying that they would not agree on one issue unless they got agreement on another issue. And then that became entangled with another issue, and it just became this incredible *impasse*, or logjam.

And so Australia has come up with the idea of basically breaking that logjam by breaking the Round into its component parts and delivering them as they are ready to be delivered, rather than making them all conditional upon each other.

Now, why is this especially relevant to this group? The answer is that Prime Minister Gillard at the Commonwealth Heads of Government Meeting, and also at the G-20 Meeting just last week, made the point that if we did something for the least developed countries in terms of opening up wealthy country markets to them, that would be a good thing on all economic and humanitarian grounds. But, also, if we then made a pledge not to increase protection while we're going through this process, that would be a very good signal to the global financial markets. And then we break the rest of the Round into these parts.

Now, we've then be asked, 'well, what would be an early candidate for delivery?'. And an early candidate for delivery would be exactly what I've been discussing here today: trade facilitation.

It's a package of measures that is substantially agreed. It was actually substantially agreed in Geneva. And when earlier in the year, in May, I proposed that we bring that one home for the end of this year, what happened said to me a lot about the problem that is occurring in Geneva: and that is instead of removing square brackets those parts that were as yet unresolved as we brought this package of trade facilitation measures to conclusion, new square brackets were added. And that's when I realised that this conditionality - this entanglement of bargaining, if you like, such that nothing would happen until everything had happened; but no-one could understand how we'd ever make everything happen - just created a terrible logjam.

So, I think with this new pathway there is the possibility, given that we have received a fair level of support, that we should pursue the trade facilitation package, because it's exactly about what we're talking about here: simplifying Customs procedures, giving advance rulings on the tariff classification and tariff treatment of goods exported into a developing country market so that the exporter knows what to expect and when to expect it.

Now, there were some really fascinating figures released only last month from the European Union, who had done some new estimates of the total benefits to global GDP of completing the Doha Round. And they then broke that up into its constituent parts, and it turns out that trade facilitation, this one measure of making life easier for small and medium enterprises, constituted 44 per cent of the estimated gains from successfully completing the Doha Round. And here's an agreement that's sitting there waiting to be reached.

So wouldn't it be fantastic if we could bring that trade facilitation package to successful conclusion rather than waiting for all of the other issues - some of which are very difficult, like industrial tariffs - to be finalised?

So that's our push; that's what we're going to try to do: to convince WTO members not only to break the Round into constituent parts but to identify trade facilitation, which happens to constitute almost half of the estimated benefits of the whole completion of the Doha Round.

That's our new crusade; that's our new adventure. We do it on behalf of small and medium enterprises in particular. And I guess an advertisement for Australia when it comes to trade liberalisation. You can always count on us.

Thanks very much.

