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2016 National Trade Survey

September 2016



Australian
Chamber of Commerce
and Industry

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Recommendations to Government

Recommendation 1:

Increase support to help small and medium sized businesses into emerging and/or frontier international markets so they can take maximum advantage of opportunities.

Recommendation 2:

Provide stronger support for digital connectivity to ensure that companies can make the most of online business connections, including researching market opportunities.

Recommendation 3:

Work with business to explain services on offer from the private and public sector to reduce duplication and better inform exporters about the available services.

Recommendation 4:

Commit to improving Australia's international competitiveness, with particular focus on improving imports and exports as a percentage of GDP.

Recommendation 5:

Reduce red-tape related to international trade, in particular, harmonise of rules of origin across trade agreements and the WTO's trade facilitation agenda.

Recommendation 6:

Make available comprehensive trade training – including Incoterms 2010 and Certificates of Origin procedures – for SMEs to reduce risk for exporters.

Recommendation 7:

Focus trade support on the pre-export phase of business and make available the training and support needed to execute an international market strategy.

Recommendation 8:

Tailor support services to target specific issues facing small business.

Recommendation 9:

Minimise unnecessary compliance associated with trade support and grants.

Recommendation 10:

Work with Chambers of Commerce to provide a seamless package of support measures for exporters.

Recommendation 11:

Government should not raise a fee-for-service charge. Chambers and other providers offer commercial support services and Austrade and other agencies should refer clients on to these providers once the client needs more specific support.

Recommendation 12:

Consider strategies to make it easier for small and medium-sized businesses to access trade finance.

Recommendation 13:

Greater investment in specific free trade agreements training and awareness, including partnering with Chambers of Commerce to deliver the required support and information to better understand rules and regulations of FTAs.

Recommendation 14:

Chambers of Commerce and Industry Associations should undertake measures to increase the awareness of their service offerings that support firms involved in international trade.

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This report was produced in partnership between the Australian Chamber of Commerce and Industry and the University of South Australia's Australian Centre for Asian Business (ACAB).

The Australian Chamber of Commerce and Industry strives to make Australia a great place to do business. It represents more than 300,000 businesses of all sizes, across all industries and all parts of the country. It speaks on behalf of the business sector to government and the community, fostering a culture of enterprise and supporting policies that keep Australia competitive. It also represents Australian business in international forums.

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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EXECUTIVE SUMMARY

The Australian Chamber's National Trade Survey is an annual survey that gauges the attitudes of Australian international trade businesses on key trade issues. The National Trade Survey 2016, the third instalment of the survey, was conducted by the Australian Chamber of Commerce and Industry and the University of South Australia's Australian Centre for Asian Business.

The quantitative component involved questionnaire responses from 202 international trade businesses, while a subsequent qualitative component involved 27 in-depth interviews with individual respondents.

Respondents were surveyed across seven categories: the profile of Australian international traders; the issues the most mattered to traders; administration; trade finance; the use and understanding of free trade agreements; preferred markets and FTAs; and trade support services.

The survey found that lack of understanding of free trade agreements, shortages of finance and excessive red tape were the main concerns.

It also found that a majority of respondents consider potential free trade agreements with India and Indonesia to be key government priorities.

Australia's falling international competitiveness and a high exchange rate rounded out the main concerns for traders.

The profile of respondents

China continues to dominate the Australian export and import market, with more than 60 per cent of businesses surveyed trading with China over the previous 12 months.

Among other trade partners, Indonesia and India were popular among large firms while the United States, New Zealand and Singapore were preferred by small and medium enterprises.

Businesses are increasingly using the internet to grow their operations, while private market visits were less common than they were in the previous two surveys.

Businesses are relying on their own skills and the internet to grow their operations.

Trade issues

International competitiveness, red tape and a high exchange rate are the main concerns of Australian traders.

This was the third consecutive year that international competitiveness was identified as the top concern for survey respondents.

Dumping, piracy, protection for shipping and shipping cartels, and a low exchange rate were each classified as "not important" issues.

Trade administration

Businesses were asked about trade support initiatives such as the Export Finance and Insurance Corporation (EFIC), Export Market Development Grant (EMDG), Austrade, state government trade promotion agencies, and chambers of commerce and industry associations.

Case studies revealed that businesses were not aware of multiple trade support initiatives available to them, did not believe the support initiatives met their needs or believed the costs outweighed the benefits.

International shipping and domestic logistics companies were identified by traders as the best way to transport goods, while Australia Post ranked last.

Incidents of piracy, counterfeiting, commercial disputes and enforcing contracts were very low, with corruption identified as the top issue harming businesses.

Trade finance

Small businesses continue to be troubled by limited access to finance, with nearly one quarter of small business respondents saying they had trouble accessing funds to develop trade opportunities.

In contrast, the number of large firms troubled by finance access was 8.3 per cent.

Trade information and understanding of FTAs

The use and understanding of Australia's multiple free trade agreements is very low, with the majority of businesses surveyed struggling to navigate complex rules and regulations.

The most understood and most used agreement was the Australia-United States FTA and the least understood and least used agreement was the World Trade Organisation - General Agreement on Tariffs and Trade.

Preference of free trade agreements

The Australia-Chile FTA was the least known and least useful trade agreement and the Australia-United States FTA was the most recognised. This is consistent with the results of the previous two years.

Most businesses believe potential free trade agreements with India and Indonesia should be government priorities.

Trade services

Fewer than half of businesses use the trade services offered by chambers of commerce and industry associations.

However the majority of businesses that did engage with chambers of commerce and industry associations said they were satisfied with the results.

Almost all respondents across all sizes of business said they wanted to know more about FTAs. This result, which reflects the findings of the previous two surveys, shows that the current education activities for international traders are not working.

Australia's international traders also wanted to learn more about international market development and protecting intellectual property.

METHOD

An online questionnaire was used to collect data from Australian businesses in late 2015, with 202 questionnaires returned and able to be used for data analysis.

The returned data was representative across Australia's state and territories, 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 20 to 30 minute interview. An interview protocol (template) was used to guide the interviewer and provide consistency to the data collected. In most cases, interviews were recorded and transcribed. In total, 27 interviews were conducted using Skype or telephone.

The data analysis technique applied in this study was the template approach¹. 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 that 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.

¹ 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.

1 PROFILE OF RESPONDENTS

1.1. HOW AUSTRALIAN BUSINESSES ENGAGE WITH INTERNATIONAL TRADE

More than one-third of Australian businesses in the sample were engaged in exporting only or both exporting and importing. Businesses that were engaged in importing only were the smallest segment, representing only 9.5 per cent of respondents.

Nearly two-thirds of large businesses engaged in both export and import. Across business size, large businesses did not participate in importing only activities. This is in contrast to small businesses, many of which reported they engaged in importing only activities (13.8 per cent), while 21.1 per cent of respondents did not participate in either exporting or importing.

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

Table 1.1. Australian businesses' engagement with international trade

	Small	Medium	Large	All business
Export only	36.7%	38.5%	31.3%	36.8%
Import only	13.8%	4.6%	0%	9.5%
Export and import	28.4%	44.6%	62.5%	36.8%
Neither export nor import	21.1%	12.3%	6.3%	16.8%

1.2. APPROXIMATE RATE OF EXPORT SHIPMENTS

Overall, the most frequent number of export shipments was stated as less than once a month (23.2 per cent), followed by once a month (19.5 per cent). However, this figure differs across business sizes. The most common frequency for small businesses was less than once a month (25.8 per cent). In contrast, over one quarter (26.7 per cent) of large businesses surveyed exported more than once a day, which is nearly 19 percentage points higher than small businesses. A quarter of medium businesses engaged once a month, with only a small proportion of medium-sized respondents averaging once a day (8.3 per cent) or more than once a day (10 per cent).

Table 1.2. Approximate rate of export shipments

	Small	Medium	Large	All business
None	28.1%	20.0%	20.0%	24.4%
Less than once a month	25.8%	21.7%	13.3%	23.2%
Once a month	16.9%	25.0%	13.3%	19.5%
Once a week	14.6%	15.0%	13.3%	14.6%
Once a day	6.7%	8.3%	13.3%	7.9%
More than once a day	7.9%	10.0%	26.7%	10.4%

1.3. APPROXIMATE RATE OF IMPORT SHIPMENTS

Regarding the rate of import shipments, the most frequent rate of import shipments received was less than once a month for all businesses (24.4 per cent) and across all sizes of businesses (20.2 per cent for small, 30 per cent for medium and 26.7 per cent for large). There was a higher percentage of large businesses engaging in importing more than once a day (13.3 per cent), compared to small businesses (only 2.2 per cent) and medium businesses (6.7 per cent).

Table 1.3. Approximate rate of import shipments

	Small	Medium	Large	All business
None	55.1%	31.7%	26.7%	43.9%
Less than once a month	20.2%	30.0%	26.7%	24.4%
Once a month	15.7%	15.0%	13.3%	15.2%
Once a week	5.6%	15.0%	20.0%	10.4%
Once a day	1.1%	1.7%	0.0%	1.2%
More than once a day	2.2%	6.7%	13.3%	4.9%

1.4. BILATERAL TRADE BY COUNTRY

The results reveal that the highest proportion of respondents overall, nearly 60 per cent, currently trade with China. This is followed by almost half trading with the United States (50.3 per cent), New Zealand (50.3 per cent) and Singapore (49.7 per cent).

With regard to bilateral trade across business sizes, the majority of firms of all sizes stated China as the most commonly engaged market, especially large firms (82.4 per cent). This is similar to the 2014 results but is in contrast to the 2015 results, when the majority of large firms surveyed

indicated that Indonesia (80 per cent) was the country they interacted with the most. Small firms' top three trading countries include China (55.4 per cent), Singapore (47 per cent) and New Zealand (44.6 per cent). Medium businesses stated China (59.3 per cent), the United States (59.3 per cent) and New Zealand (59.3 per cent) equally. Large businesses reported China (82.4 per cent), followed by Indonesia (64.7 per cent), and India and United Arab Emirates (both 58.8 per cent) as countries they engaged with.

Such results suggest that while large firms favoured trade with Asian emerging markets (e.g. China, Indonesia, India), small and medium firms preferred trading with advanced markets (e.g. the United States, New Zealand, Singapore), as well as China.

Table 1.4. Top three countries Australian businesses engage with (2014 -2016)

	2016	2015	2014
Small	China (55.4%) Singapore (47%) New Zealand (44.6%)	China (64.4%) USA (43.3%) Malaysia (43.3%)	China (62.8%) New Zealand (47.1%) USA (46.3%)
Medium	China (59.3%) USA (59.3%) New Zealand (59.3%)	China (69.6%) Indonesia (63.3%) Malaysia (59.5%)	China (75.6%) USA (64%) Singapore (57%)
Large	China (82.4%) Indonesia (64.7%) India (58.8%) United Arab Emirates (58.8%)	Indonesia (80%) Singapore (73.3%) Thailand (73.3%)	China (76.9%) Indonesia (65.4%) Malaysia (65.4%)
All business	China (59.7%) USA (50.3%) New Zealand (50.3%)	China (67%) Indonesia (52%) Malaysia (52%)	China (70.4%) USA (54.2%) New Zealand (49.6%) Singapore (49.6%)

Table 1.5. Australian interaction according to country (2016)

	Small	Medium	Large	All business
China	55.4%	59.3%	82.4%	59.7%
Japan	28.9%	35.6%	41.2%	32.7%
United States of America	43.4%	59.3%	52.9%	50.3%
Republic of Korea	25.3%	27.1%	41.2%	27.7%
Singapore	47.0%	52.5%	52.9%	49.7%
United Kingdom	38.6%	47.5%	41.2%	42.1%
New Zealand	44.6%	59.3%	47.1%	50.3%
United Arab Emirates	28.9%	45.8%	58.8%	38.4%
Saudi Arabia	18.1%	18.6%	29.4%	19.5%
Qatar	15.7%	16.9%	29.4%	17.6%
Kuwait	15.7%	10.2%	23.5%	14.5%
Jordan	8.4%	5.1%	5.9%	6.9%
India	19.3%	33.9%	58.8%	28.9%
Thailand	25.3%	33.9%	52.9%	31.4%
Malaysia	36.1%	42.4%	52.9%	40.3%
Germany	27.7%	32.2%	41.2%	30.8%
Indonesia	34.9%	42.4%	64.7%	40.9%
Taiwan	25.3%	30.5%	35.3%	28.3%
Brazil	12.0%	18.6%	23.5%	15.7%
Russia	9.6%	15.3%	11.8%	11.9%
Canada	25.3%	37.3%	29.4%	30.2%
Mexico	12.0%	10.2%	11.8%	11.3%

Respondents were able to select more than one choice.

2. INFORMATION

2.1. CHANGES FROM 2014 AND 2015 RESULTS

Respondents were asked about the channels from which they sought information about trade opportunities. Overall, the combined frequencies of “always” and “often” revealed online to be the most popular medium (over 55 per cent), followed by private market visits (over 47 per cent). This result is similar to the 2015 result but different to the 2014 result, which indicated private market visits as the most utilised source of information. The least common channel was newspapers, with 70.6 per cent of respondents stating that they “never” or “rarely” gained information through this channel.

Between one-fifth and one-third of surveyed firms accessed the listed source of information occasionally or “sometimes”. Businesses did not favour the information from Austrade, state government agencies, trade missions or chambers of commerce. Over 50 per cent of surveyed businesses stated they “never” or “rarely” use these sources of information.

All three firm sizes favoured online as their preferred channel and private market visits as second. Online and private market visits were also the only channels that businesses stated they used “always” and “often” more than “rarely” and “never”.

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, only reported to “always” use online, private market visits, trade missions and chambers of commerce.

Overall, the above results suggest that despite various channels being 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 a source of reliable and cost-effective information.

Table 2.1. Information rankings* – All business

Mode	2016 rank	2015 rank	2014 rank
Online	1	1	2
Private market visits	2	2	1
Industry associations	3	3	3
Participating in trade missions	4	4	5
Austrade	5	6	4
State government agencies	6	8	7
Chambers of commerce	7	7	6
Newspapers	8	5	8

* Rankings are based on the total frequencies of “always” and “often”

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

	Always	Often	Sometimes	Rarely	Never
Private market visits	18.7%	28.7%	27.5%	13.5%	11.7%
Participating in trade missions	4.8%	13.9%	23.0%	23.0%	35.2%
Online	24.6%	31.0%	22.2%	13.5%	8.8%
Austrade	3.0%	12.7%	33.3%	26.1%	24.8%
State government agencies	2.4%	11.9%	23.2%	32.7%	29.8%
Chambers of commerce	3.6%	10.3%	26.1%	27.9%	32.1%
Industry associations	4.8%	19.8%	29.3%	25.1%	21.0%
Newspapers	1.9%	9.4%	18.1%	27.5%	43.1%

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

	Always	Often	Sometimes	Rarely	Never	Rank*
Private market visits	19.1%	25.5%	23.4%	17.0%	14.9%	2
Participating in trade missions	6.7%	13.3%	21.1%	17.8%	41.1%	4
Online	29.8%	28.7%	20.2%	12.8%	8.5%	1
Austrade	4.5%	10.1%	33.7%	24.7%	27.0%	5
State government agencies	3.2%	10.8%	21.5%	30.1%	34.4%	7
Chambers of commerce	5.5%	8.8%	25.3%	28.6%	31.9%	6
Industry associations	6.5%	17.4%	26.1%	23.9%	26.1%	3
Newspapers	2.2%	7.9%	16.9%	29.2%	43.8%	8

* Based on total of “always” and “often”

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

	Always	Often	Sometimes	Rarely	Never	Rank*
Private market visits	14.3%	36.5%	30.2%	11.1%	7.9%	2
Participating in trade missions	1.6%	16.4%	24.6%	27.9%	29.5%	4
Online	19.4%	32.3%	22.6%	17.7%	8.1%	1
Austrade	1.6%	12.9%	37.1%	25.8%	22.6%	6
State government agencies	1.6%	14.8%	24.6%	36.1%	23.0%	5
Chambers of commerce	0.0%	10.2%	27.1%	27.1%	35.6%	7
Industry associations	3.3%	23.0%	29.5%	29.5%	14.8%	3
Newspapers	1.8%	7.0%	19.3%	24.6%	47.4%	8

* Based on total of “always” and “often”

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

	Always	Often	Sometimes	Rarely	Never	Rank*
Private market visits	35.7%	14.3%	42.9%	0.0%	7.1%	2
Participating in trade missions	7.1%	7.1%	28.6%	35.7%	21.4%	7
Online	13.3%	40.0%	33.3%	0.0%	13.3%	1
Austrade	0.0%	28.6%	14.3%	35.7%	21.4%	3
State government agencies	0.0%	7.1%	28.6%	35.7%	28.6%	8
Chambers of commerce	6.7%	20.0%	26.7%	26.7%	20.0%	5
Industry associations	0.0%	21.4%	50.0%	14.3%	14.3%	6
Newspapers	0.0%	28.6%	21.4%	28.6%	21.4%	3

* Based on total of “always” and “often”

2.2. AVERAGE SPEND IN ONE YEAR ON PRIVATE MARKET VISITS

For those businesses that undertook private market visits, 31.8 per cent stated spending over \$20,000 last financial year, which is nearly 10 per cent lower than the 2015 result. The shift by large businesses to focus on the online channel rather than private market visits could explain the decrease in the average spends. Nearly half of small businesses spent less than \$5,000, whereas over 40 per cent of medium businesses and two-thirds of large businesses reported spending over \$20,000.

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

	Small	Medium	Large	All business
Less than \$5,000	44.0%	11.5%	20.0%	30.7%
Between \$5,000 and \$10,000	12.0%	13.1%	0.0%	11.4%
Between \$10,000 and \$15,000	10.0%	19.7%	6.7%	13.1%
Between \$15,000 and \$20,000	13.0%	14.8%	6.7%	13.1%
Over \$20,000	21.0%	41.0%	66.7%	31.8%

From a qualitative perspective, many managers of goods and services firms who had a proactive approach to developing their firm’s international business strategy believed that private market visits were a valuable component to developing their business abroad. Managers stated they used

private market visits mainly to develop their professional network, and to build relationships with partners.

Respondents were asked to comment on the value of private market visits. Managers realised that it was difficult to measure the value of private market visits in the short-term. However, they recognised the long-term benefits of the visits. The International Marketing Director of a manufacturing firm confirmed that the visits were important to brand development.

People are saying ... we've been in Hong Kong ... for 35 years or whatever it is, they say, well, how do you measure return on investment? Well, you go there, you don't sell too much to them but you go to expose the brand. Then you've built up a brand, and we had to build a brand that originally was a contract brand. Now we're developing a brand that says what we make; the leather that we make, the high performance leather, now we have world recognition for that. (International Marketing Director, Case 19)

2.3. SUMMARY

The results show that small and medium sized businesses favoured advanced and culturally similar markets such as New Zealand, Singapore and the United States, as well as China. Large businesses, on the other hand, favoured more difficult and psychically distant emerging markets such as Indonesia, India and the United Arab Emirates.

Recommendation 1:

Increase support to help small and medium sized businesses into emerging and/or frontier international markets so they can take maximum advantage of opportunities.

Regarding the source of trade opportunities, the majority of respondents stated they “rarely” or “never” utilized the trade services of third-party providers such as chambers of commerce, Austrade, industry associations and state government agencies.

The majority of businesses across firm sizes used the internet to discover opportunities, followed by private market visits. The results also show that small and medium-sized businesses accessed a broader range of channels more frequently than did larger firms.

Recommendation 2:

Provide stronger support for digital connectivity to ensure that companies can make the most of online business connections, including researching market opportunities.

Recommendation 3:

Work with business to explain services on offer from the private and public sector to reduce duplication and better inform exporters about the available services.

3. TRADE ISSUES

Respondents were asked to rate their level of concern regarding a wide range of trade issues. The results show that, in line with the 2014 and 2015 results, overall international competitiveness, red tape and a high exchange rate remain the top three trade issues for businesses. Over three-quarters (75.9 per cent) stated overall international competitiveness to be either a major or moderate concern. Around three-fifths of those surveyed noted red tape (61.9 per cent) and a high exchange rate (57 per cent) as second and third impediments. The top five trade issues in the period of 2014-2016 are listed in Table 3.1.

Table 3.1. Top five trade issues* (2014-2016)

	2016	2015	2014
1	Overall international competitiveness (75.9%)	Overall international competitiveness (80.5%)	Overall international competitiveness (83.1%)
2	Red tape (61.9%)	Exchange rate too high (70.7%)	Exchange rate too high (73.2%)
3	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	Ability to service international markets (55.5%)	Customs and border crossing costs (56.2%)	Ability to service international markets (61.5%)
5	Market entry/access (e.g. ability to procure visas, cost of market presence) (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

Table 3.2. Top five trade issues 2016 according to firm size*

	Small	Medium	Large
1	Overall international competitiveness (73.2%)	Overall international competitiveness (78.3%)	- Overall international competitiveness (84.6%) - Red tape (84.6%)
2	Red tape (59.3%)	Exchange rate too high (62.1%)	
3	Ability to service international markets (58.5%)	Red tape (61%)	Progress on free trade agreements (77%)
4	Market entry access (52.1%)	Non-tariff barriers (59.3%)	Exchange rate too high (76.9%)
5	Exchange rate too high (51%)	Tariffs applied to export (56.6%)	Subsidies for competitors (69.2%)

* Based on the total percentage of major and moderate concern

Table 3.3. Level of concern regarding trade issues 2016: All business

	Major concern	Moderate concern	Minor concern	No concern
Overall international competitiveness	41.8%	34.1%	13.5%	10.6%
Market entry/access (e.g. ability to procure visas, cost of market presence, restrictive length of stay)	16.0%	36.7%	28.4%	18.9%
Exchange rate too high	25.5%	31.5%	23.0%	20.0%
Exchange rate too low	9.9%	28.0%	26.7%	35.4%
Red tape	22.0%	39.9%	23.8%	14.3%
Tariffs applied to imports	16.8%	23.4%	24.0%	35.9%
Tariffs applied to exports	13.7%	28.0%	24.4%	33.9%
Non-tariff barriers (such as regulation or standards)	26.9%	23.4%	25.1%	24.6%
Subsidies for competitors	25.9%	20.5%	27.1%	26.5%
Customs and border crossing costs	20.8%	27.4%	27.4%	24.4%
Protection for shipping and shipping cartels	11.4%	22.3%	25.9%	40.4%
Piracy	13.3%	13.3%	29.5%	44.0%
Corruption in international markets	19.0%	30.4%	28.6%	22.0%
Progress on free trade agreements	14.3%	31.5%	31.0%	23.2%
Australian investment opportunities globally	9.0%	31.9%	30.7%	28.3%
Ability to service international markets	17.5%	38.0%	22.9%	21.7%
Dumping and anti-dumping rules	9.6%	13.3%	27.1%	50.0%
Enforcing contracts	13.3%	31.5%	30.9%	24.2%
Commercial disputes	8.5%	31.5%	37.0%	23.0%

Table 3.4. Level of concern regarding trade issues 2016: Small business

	Major concern	Moderate concern	Minor concern	No concern
Overall international competitiveness	34.0%	39.2%	12.4%	14.4%
Market entry/access (e.g. ability to procure visas, cost of market presence, restrictive length of stay)	19.8%	32.3%	24.0%	24.0%
Exchange rate too high	25.5%	25.5%	24.5%	24.5%
Exchange rate too low	9.8%	27.2%	21.7%	41.3%
Red tape	20.8%	38.5%	22.9%	17.7%
Tariffs applied to imports	13.7%	20.0%	20.0%	46.3%
Tariffs applied to exports	10.5%	20.0%	29.5%	40.0%
Non-tariff barriers (such as regulation or standards)	23.2%	20.0%	25.3%	31.6%
Subsidies for competitors	16.1%	21.5%	29.0%	33.3%
Customs and border crossing costs	19.1%	25.5%	26.6%	28.7%
Protection for shipping and shipping cartels	10.6%	19.1%	26.6%	43.6%
Piracy	12.8%	11.7%	34.0%	41.5%
Corruption in international markets	18.1%	31.9%	26.6%	23.4%
Progress on free trade agreements	11.6%	28.4%	32.6%	27.4%
Australian investment opportunities globally	7.5%	25.8%	34.4%	32.3%
Ability to service international markets	23.4%	35.1%	20.2%	21.3%
Dumping and anti-dumping rules	7.4%	10.6%	30.9%	51.1%
Enforcing contracts	16.0%	27.7%	28.7%	27.7%
Commercial disputes	9.6%	33.0%	30.9%	26.6%

Table 3.5. Level of concern regarding trade issues 2016: Medium business

	Major concern	Moderate concern	Minor concern	No concern
Overall international competitiveness	50.0%	28.3%	15.0%	6.7%
Market entry/access (e.g. ability to procure visas, cost of market presence, restrictive length of stay)	10.0%	43.3%	35.0%	11.7%
Exchange rate too high	27.6%	34.5%	24.1%	13.8%
Exchange rate too low	12.5%	26.8%	32.1%	28.6%
Red tape	22.0%	39.0%	28.8%	10.2%
Tariffs applied to imports	23.7%	23.7%	32.2%	20.3%
Tariffs applied to exports	18.3%	38.3%	20.0%	23.3%
Non-tariff barriers (such as regulation or standards)	30.5%	28.8%	27.1%	13.6%
Subsidies for competitors	35.0%	20.0%	26.7%	18.3%
Customs and border crossing costs	23.0%	29.5%	27.9%	19.7%
Protection for shipping and shipping cartels	10.2%	27.1%	27.1%	35.6%
Piracy	11.9%	15.3%	25.4%	47.5%
Corruption in international markets	16.4%	29.5%	32.8%	21.3%
Progress on free trade agreements	15.0%	33.3%	33.3%	18.3%
Australian investment opportunities globally	10.0%	38.3%	26.7%	25.0%
Ability to service international markets	11.9%	37.3%	28.8%	22.0%
Dumping and anti-dumping rules	10.2%	16.9%	27.1%	45.8%
Enforcing contracts	10.3%	36.2%	36.2%	17.2%
Commercial disputes	8.6%	29.3%	44.8%	17.2%

Table 3.6. Level of concern regarding trade issues 2016: Large businesses

	Major concern	Moderate concern	Minor concern	No concern
Overall international competitiveness	61.5%	23.1%	15.4%	0.0%
Market entry/access (e.g. ability to procure visas, cost of market presence, restrictive length of stay)	15.4%	38.5%	30.8%	15.4%
Exchange rate too high	15.4%	61.5%	7.7%	15.4%
Exchange rate too low	0.0%	38.5%	38.5%	23.1%
Red tape	30.8%	53.8%	7.7%	7.7%
Tariffs applied to imports	7.7%	46.2%	15.4%	30.8%
Tariffs applied to exports	15.4%	38.5%	7.7%	38.5%
Non-tariff barriers (such as regulation or standards)	38.5%	23.1%	15.4%	23.1%
Subsidies for competitors	53.8%	15.4%	15.4%	15.4%
Customs and border crossing costs	23.1%	30.8%	30.8%	15.4%
Protection for shipping and shipping cartels	23.1%	23.1%	15.4%	38.5%
Piracy	23.1%	15.4%	15.4%	46.2%
Corruption in international markets	38.5%	23.1%	23.1%	15.4%
Progress on free trade agreements	30.8%	46.2%	7.7%	15.4%
Australian investment opportunities globally	15.4%	46.2%	23.1%	15.4%
Ability to service international markets	0.0%	61.5%	15.4%	23.1%
Dumping and anti-dumping rules	23.1%	15.4%	0.0%	61.5%
Enforcing contracts	7.7%	38.5%	23.1%	30.8%
Commercial disputes	0.0%	30.8%	46.2%	23.1%

2016 is the third year overall international competitiveness remains the number one concern for Australian businesses. Thus, improving Australian businesses' competitiveness should be the Australian Government's priority. According to the World Economic Forum's Global

Competitiveness Report 2015-2016², Australia was ranked at number 21, lagging behind New Zealand (16) and Malaysia (18). Australia ranked among the lowest in the following areas:

- Imports as a percentage of GDP (134/140)
- Hiring and firing practices (126/140)
- Exports as a percentage of GDP (122/140)
- Flexibility of wage determination (117/140)
- Effect of taxation on incentives to work (110/140)
- Total tax rate, % profit (101/140)

According to the qualitative case study findings, managers reported that regulatory requirements constrained their international competitiveness. For example, the Chief Executive Officer of a financial analysis consulting and financial education services firm reported that “regulatory overburden” prevented Australian firms from developing leadership status in the financial services sector.

Our Australian environment is hampered by regulatory overburden, to say the least, particularly in terms of financial markets. ... That's not going to improve. It's one of the reasons why Australia cannot establish itself as a financial centre of Asia Pacific. There was an opportunity to do so, perhaps five or six years ago. That opportunity was missed. While we continue to delude ourselves that we are going to be part of that financial marketplace within the region, the rest of the world is leaving us behind well and truly. (Chief Executive Officer, Case 3)

The qualitative findings also revealed how businesses managed their competitiveness at a firm level. Some respondents noted that they improved their international competitiveness by developing world-leading technology. For example, the Director of a mining consulting firm explained that West Australian mining firms had developed a reputation as being world leaders in mining technology.

The West Australian mining industry ... is generally regarded as the leader in technology, efficient mining and the safety side of things too. So that is a big advantage as far as my competitiveness globally. (Director, Case 7).

On the other hand, the Managing Director of a firm operating in international trade logistics services believed that price competitiveness was important to his firm's customers (Case 10). His firm offered logistical services that assisted the international operations of firms based in Australia. This firm operated in a highly competitive market with many competitors offering similar international trade logistics services.

² World Economic Forum (2015), The Global Competitiveness Report 2015-2016, Geneva

It's a tough market out there. People are operating on very, very thin margins. ... So, yes, being able to offer the service they want at best price is ... vitally important. (Managing Director, Case 10).

Following international competitiveness, red tape was also a major concern for Australian businesses. When respondents were asked to identify specific examples of the impact of red tape, many respondents mentioned the paperwork and requirements for importing products into another country, registration forms and processes, costs associated with customs, visa entry, excessive Australian quarantine requirements and the time it takes to get decisions/clarification from the Australian Taxation Office and Australian Customs.

Red tape and a high exchange rate were also identified by all firm sizes as the top issues, while progress on free trade agreements and subsidies for competitors were noted by large firms. Medium-sized firms noted non-tariff barriers and tariffs applied to exports, whereas ability to service international markets and market entry access were noted by small firms. The top five trade issues according to firm size are illustrated in Table 3.2.

From the qualitative findings, managers reflected on the impact a fluctuating exchange rate had on their firms over recent years. Firms noted demand fell when the Australia dollar was stronger. One Sales and Marketing Manager of an organic foods manufacturer commented on the challenge of acquiring new customers, who were reluctant to “swap over” from their suppliers in Turkey and California (Case 13). For Case 13, a lower Australian dollar improved the value of the firm’s offerings, allowing the firm to provide potential new customers a free trial.

[Potential new customers] are so used to having, say, California produce or Turkey produce that they're reluctant to swap over. At the moment the exchange rate is allowing us to offer them a trial. (Sales and Marketing Manager, Case 13)

Managers were asked whether tariffs were a major consideration when doing business. Respondents said tariffs increased the costs associated with exporting. For example, the Director of Case 15, a provider of aviation radar performance analysis products and services, explained that customers in Indonesia must bear the cost of the service tariff, which limited the firm’s service opportunities in that market.

We supply our quotations. So in terms of what it costs our customer to get the product or service into their country, those costs are all borne by them. So there is an impact in Malaysia, in Indonesia there's a services tariff ...that they have to cough up and they don't like doing that. So our services opportunities in Indonesia are limited because I think it's a 15 per cent or 25 per cent tariff on getting services into Indonesia. Certainly I'd like to see that disappear but I don't know that that, at the end of the day, is necessarily the predominant driver of issues getting services into Asia. (Director, Case 15)

Some managers reported that tariffs were not a significant barrier, because some firms competed on non-price factors, such as quality and reputation. For example, the Director of Case 17, a manufacturer of skin care products based on olive oil, emphasised the value of the Australian

Made logo. The Director indicated that the firm competes on reputation and quality more than on price, stating that “the Australian Made logo is currency in itself”. Similarly, the Director of Case 16 explained that while tariffs were an important consideration, it was possible to “market your way out of a tariff barrier” by offering a high-quality product.

If your product has an advantage in the marketplace, consumers will buy it. If you can convince the consumer of that advantage, they’ll buy it. They’re paying \$65 a tin for infant formula from Australia. (Director, Case 16).

3.1. LEAST IMPORTANT TRADE ISSUES

Regarding trade issues that were not a concern, over three-quarters of businesses surveyed (77.1 per cent) stated that dumping and anti-dumping was of minor or no concern. This issue moved from number two in 2014 and 2015 to number one in 2016. The top four issues considered not important remained the same as previous years: dumping and anti-dumping rules; piracy; protection for shipping and shipping cartels; and low exchange rate. Compared to 2015, while protection for shipping and shipping cartels and low exchange rate remained the third and fourth least concerning issues, piracy dropped one place to number two. Australian investment opportunities globally were not among the five least important issues in 2016, suggesting it became more important in 2016. Instead, commercial disputes were among the top five least important issues for 2016 results.

Table 3.7. Top five trade issues* considered the least important (2014-2016)

	2016	2015	2014
1	Dumping and anti-dumping rules (77.1%)	Piracy (77%)	Piracy (76.6%)
2	Piracy (73.5%)	Dumping and anti-dumping rules (69.3%)	Dumping and anti-dumping rules (63.2%)
3	Protection for shipping and shipping cartels (66.3%)	Protection for shipping and shipping cartels (61.6%)	Exchange rate too low (60.3%)
4	Exchange rate too low (62.1%)	Exchange rate too low (60%)	Australian investment opportunities globally (56.9%)
5	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 3.8. Top five trade issues 2016 considered the least important according to firm size*

	Small	Medium	Large
1	Dumping and anti-dumping rules (82%)	Dumping and anti-dumping rules (72.9%) Piracy (72.9%)	Commercial disputes (69.3%)
2	Piracy (76.5%)		Exchange rate too low (61.6%)
3	Protection for shipping and shipping cartels (70.3%)	Protection for shipping and shipping cartels (62.7%)	Piracy (61.6%)
4	Tariffs applied to exports (69.5%)	Commercial disputes (62%)	Dumping and anti-dumping rules (61.5%)
5	Australian investment opportunities globally (67.7%)	Exchange rate too low (60.7%)	Protection for shipping and shipping cartels (53.9%)

* Based on the total percentage of minor and no concern

Regarding firm size comparisons, small and medium-sized firms stated that dumping and anti-dumping rules were their least important issue, whereas large firms listed commercial disputes as the least important. Piracy and protection for shipping and shipping cartels were also listed in the top five by all firm sizes. The top five trade issues considered least important across firm sizes are shown in Table 3.4.

In line with the quantitative results, many managers interviewed did not consider commercial disputes to present a considerable barrier to international business operations. Some managers of goods and services firms reported having some experience in commercial disputes that detracted from their international trade operations. In these cases, the commercial disputes resulted in small inconveniences to the companies. For example, a Managing Director of a successful carpet importing business discussed a dispute resolution process with one manufacturer.

I have had one unresolved one, and it never will be, where it is a faulty carpet and I have had no satisfactory recourse on that. The one that is unresolved I don't deal with anymore. (Managing Director, Case 5)

3.2. SUMMARY

For the third consecutive year, international competitiveness is the top trade issue for international traders in Australia. This is reflected in the in the 2015 Global Competitiveness Report, where Australia is outside the top 20 for a second year. This is followed by issues relating to red-tape, including trade documentation, registration forms, immigration and quarantine requirements. Red-tape compliance increases the cost of doing business.

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

Recommendation 4:

Commit to improving Australia's international competitiveness, with particular focus on improving imports and exports as a percentage of GDP.

Recommendation 5:

Reduce red-tape related to international trade, in particular, harmonise of rules of origin across trade agreements and the WTO's trade facilitation agenda.

4. TRADE ADMINISTRATION

4.1. ADMINISTRATIVE ISSUES

Respondents were asked to rate their experiences of dealing with administrative issues. 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 and trade agreements Certificates of Origin, with a mean value of 2.61. The lowest ranked administrative issue was Halal certificates, with a mean value of 2.07 and nearly two-thirds of respondents (64.3 per cent) rating this issue to be either "average" or "poor".

Compared with the 2014 and 2015 results, Incoterms 2010 moved up one place to become the most positively viewed administration issue. Non-preferential Certificates of Origin fell to second place, a shift of one place from the year prior. Halal certificates maintained in the same place over a three-year period (2014-2016) as least favourable. Most notably, despite the ranking of all listed issues, the mean values of all listed issues of 2016 were lower than those of 2014 and 2015. This suggests that the quality of administration needs to improve to enhance business satisfaction.

Table 4.1. Respondents' experience with dealing with administrative issues

(In order of quality 2016)

	Mean (from 4 – Excellent to 1 – Poor)		
	2016	2015	2014
Incoterms 2010	2.71	2.74	2.72
Non-preferential Certificates of Origin	2.69	3.07	3.04
Trade agreements Certificates of Origin	2.61	2.66	2.69
Health certificates	2.38	2.68	2.51
Pre-shipment Inspection Certificate	2.33	2.59	2.60
Department of Agriculture (AQIS) certificates	2.30	2.60	2.53
Certificates of Free Sale	2.26	2.39	2.38
Consular legalisation / endorsement	2.17	2.34	2.41
Halal certificates	2.07	2.24	2.33

Table 4.2. Respondents' experience with dealing with trade related administrative issues 2016: All business

	Excellent	Good	Average	Poor
Non-preferential Certificates of Origin	11.3%	50.7%	33.8%	4.2%
Trade agreements Certificates of Origin	11.3%	43.7%	39.4%	5.6%
Pre-shipment Inspection Certificate	4.9%	37.7%	42.6%	14.8%
Consular legalisation / endorsement	6.8%	25.4%	45.8%	22.0%
Incoterms 2010	15.5%	45.1%	33.8%	5.6%
Certificates of Free Sale	2.6%	41.0%	35.9%	20.5%
Health certificates	7.1%	38.1%	40.5%	14.3%
Halal certificates	0.0%	35.7%	35.7%	28.6%
Department of Agriculture (AQIS) certificates	6.0%	38.0%	36.0%	20.0%

Regarding firm size comparisons, the majority of all firms rated Incoterms 2010, non-preferential Certificates of Origin, and trade agreements Certificates of Origin to be either “good” or “excellent”. Differences between firms’ sizes emerged when comparing the “poor” category. While small businesses rated Halal certificates to be the worst administrative issue (42.9 per cent), medium businesses identified consular legislation/endorsement as their least favoured experience (25 per cent). On the other hand, dealing with Department of Agriculture (including the former Australian Quarantine and Inspection Service) certificates was considered the least positive experience by large businesses (25 per cent). In addition, large firms were less likely to rate the listed issues as “poor”, compared to small and medium enterprises. For example, except consular legalisation/endorsement and Department of Agriculture certificates, other issues each received no “poor” rating. This suggests that large firms were more satisfied with trade administration than were small and medium firms.

In line with the quantitative survey results, the majority of cases reported a good understanding of Incoterms 2010, or at least easy access to a directory of terms. Typically, managers with at least undergraduate international trade or business law degrees, or with extensive international business experience, had a sound understanding of Incoterms 2010. However a Managing Director reported that most people she worked with during her career in international business had a poor understanding of Incoterms 2010. She was aware of the lack of Incoterm 2010 understanding across the business community as she delivered training to people about Incoterms 2010 and exporting/importing procedures.

A lot of people here, even in freight forwarding companies ... don't know much about Incoterms, they don't understand them and that can again be very costly. ... There's a real lack of training and understanding of what the Incoterms are for ... so I think there's a lot of education to be done, information to be given on the Incoterms. (Managing Director, Case 4).

Similarly, qualitative responses for the Certificate of Origin process were largely positive, with some managers noting the simplicity and convenience of the electronic system.

We can go online, we put in the details, we'll order a Certificate ... in half a day. (General Manager, Case 22)

Conversely, some respondents were unaware of the Certificate of Origin process or misunderstood the process. The Director of a small manufacturing firm demonstrated his frustration with the process.

Why on earth do you have to keep going and getting a Certificate of Origin? It doesn't make sense. For me it should be something that, if it's on your export document and its part of your letterhead, ... that should be enough. But no, you have to go and pay each time and eventually, well in our case, we just stopped doing it. (Director, Case 8)

A Managing Director in the manufacturing industry expressed his view on Certificates of Origin.

The Certificate of Origin process is great to an extent ... [but] they are absolutely meaningless ... you have no means of absolute verification until it's too late. (Managing Director, Case 9)

Table 4.3. Respondents' experience of dealing with trade related administrative issues 2016: Small business

	Excellent	Good	Average	Poor
Non-preferential Certificates of Origin	11.8%	47.1%	35.3%	5.9%
Trade agreements Certificates of Origin	11.4%	42.9%	37.1%	8.6%
Pre-shipment Inspection Certificate	9.1%	36.4%	33.3%	21.2%
Consular legalisation / endorsement	6.9%	27.6%	44.8%	20.7%
Incoterms 2010	21.6%	40.5%	32.4%	5.4%
Certificates of Free Sale	5.3%	36.8%	31.6%	26.3%
Health certificates	0.0%	43.5%	39.1%	17.4%
Halal certificates	0.0%	28.6%	28.6%	42.9%
Department of Agriculture (AQIS) certificates	3.7%	33.3%	40.7%	22.2%

Table 4.4. Respondents' experience of dealing with trade related administrative issues 2016: Medium business

	Excellent	Good	Average	Poor
Non-preferential Certificates of Origin	9.7%	51.6%	35.5%	3.2%
Trade agreements Certificates of Origin	10.0%	40.0%	46.7%	3.3%
Pre-shipment Inspection Certificate	0.0%	30.4%	60.9%	8.7%
Consular legalisation / endorsement	4.2%	20.8%	50.0%	25.0%
Incoterms 2010	7.4%	44.4%	40.7%	7.4%
Certificates of Free Sale	0.0%	43.8%	37.5%	18.8%
Health certificates	20.0%	33.3%	33.3%	13.3%
Halal certificates	0.0%	40.0%	40.0%	20.0%
Department of Agriculture (AQIS) certificates	10.5%	42.1%	31.6%	15.8%

Table 4.5. Respondents' experience of dealing with trade related administrative issues 2016: Large business

	Excellent	Good	Average	Poor
Non-preferential Certificates of Origin	16.7%	66.7%	16.7%	0.0%
Trade agreements Certificates of Origin	16.7%	66.7%	16.7%	0.0%
Pre-shipment Inspection Certificate	0.0%	80.0%	20.0%	0.0%
Consular legalisation / endorsement	16.7%	33.3%	33.3%	16.7%
Incoterms 2010	14.3%	71.4%	14.3%	0.0%
Certificates of Free Sale	0.0%	50.0%	50.0%	0.0%
Health certificates	0.0%	25.0%	75.0%	0.0%
Halal certificates	0.0%	50.0%	50.0%	0.0%
Department of Agriculture (AQIS) certificates	0.0%	50.0%	25.0%	25.0%

4.1. SUMMARY

Across respondents, Incoterms 2010 had the most positive response overall. This was an increase of one position, to first place, compared with the previous two years' results. Non-preferential and preferential Certificates of Origin were the second and third placed respectively. However, the results reveal that the mean values overall have fallen from the previous year's survey, which suggests a lack of understanding regarding the processes and/or a decreasing quality of service provision. The qualitative findings suggest a lack of understanding regarding the Certificate of Origin process and a broader lack of understanding of Incoterms 2010.

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

Recommendation 6:

Make available comprehensive trade training – including Incoterms 2010 and Certificates of Origin procedures – for SMEs to reduce risk for exporters. This would help to reduce the amount of risk taken on by exporters and importers and improve the likelihood of success.

5. UTILISATION OF SUPPORT INITIATIVES

Respondents were asked about how frequently they used various trade support initiatives, including the Export Finance and Insurance Corporation (EFIC), the Export Market Development

Grant (EMDG), Austrade, state government trade promotion agencies chambers of commerce and industry associations.

Similar to the 2014 and 2015 results, the majority of businesses said they “rarely” or “never” used such services. For example, 82.2 per cent of businesses never used EFIC and 62.5 per cent of businesses never used EMDG. The usage of EFIC (the total of “always”, “often” and “sometimes”) was less than 10 per cent over a three-year period. Chambers of commerce and industry associations received the highest utilisation rate, with 43.4 per cent of businesses stating they used this service “always”, “often” or “sometimes”.

The above results suggest that businesses were either not aware of the trade support initiatives available to them, those initiatives did not address their needs, or the benefits businesses gained from these initiatives did not compensate for the costs involved.

Regarding firm size variation, chambers of commerce and industry associations were utilised the most and EFIC was utilised the least by firms of all sizes. While large firms utilised chambers of commerce or industry associations more than small and medium-sized firms did, small firms utilised EFIC less than medium and large firms did.

Table 5.1. Utilisation of trade support initiatives – Total of ‘always’, ‘often’ and ‘sometimes’ frequencies for 2014-2016

	2016	2015	2014
Export Finance and Insurance Corporation (EFIC)	7.2%	8.9%	9.8%
Export Market Development Grant (EMDG)	23.7%	19.9%	27.5%
Austrade	39.5%	28.2%	38.3%
State government trade promotion agency	28.9%	18.3%	17.3%
Chambers of commerce or industry associations	43.4%	N/A	N/A

Table 5.2. Utilisation of trade support initiatives 2016: All business

	Always	Often	Sometimes	Rarely	Never
Export Finance and Insurance Corporation (EFIC)	1.3%	3.9%	2.0%	10.5%	82.2%
Export Market Development Grant (EMDG)	7.9%	10.5%	5.3%	13.8%	62.5%
Austrade	1.3%	13.8%	24.3%	29.6%	30.9%
State government trade promotion agency	3.9%	10.5%	14.5%	19.1%	52.0%
Chambers of commerce or industry associations	3.9%	15.1%	24.3%	21.1%	35.5%

Table 5.3. Utilisation of trade support initiatives 2016: Small business

	Always	Often	Sometimes	Rarely	Never
Export Finance and Insurance Corporation (EFIC)	2.4%	2.4%	0.0%	9.4%	85.9%
Export Market Development Grant (EMDG)	7.1%	9.4%	4.7%	11.8%	67.1%
Austrade	2.4%	12.9%	20.0%	24.7%	40.0%
State government trade promotion agency	5.9%	10.6%	9.4%	15.3%	58.8%
Chambers of commerce or industry associations	4.7%	10.6%	25.9%	15.3%	43.5%

Table 5.4. Utilisation of trade support initiatives 2016: Medium business

	Always	Often	Sometimes	Rarely	Never
Export Finance and Insurance Corporation (EFIC)	0.0%	3.6%	1.8%	12.7%	81.8%
Export Market Development Grant (EMDG)	9.1%	12.7%	5.5%	18.2%	54.5%
Austrade	0.0%	16.4%	29.1%	34.5%	20.0%
State government trade promotion agency	1.8%	10.9%	21.8%	25.5%	40.0%
Chambers of commerce or industry associations	0.0%	21.8%	23.6%	30.9%	23.6%

Table 5.5. Utilisation of trade support initiatives 2016: Large business

	Always	Often	Sometimes	Rarely	Never
Export Finance and Insurance Corporation (EFIC)	0.0%	16.7%	16.7%	8.3%	58.3%
Export Market Development Grant (EMDG)	8.3%	8.3%	8.3%	8.3%	66.7%
Austrade	0.0%	8.3%	33.3%	41.7%	16.7%
State government trade promotion agency	0.0%	8.3%	16.7%	16.7%	58.3%
Chambers of commerce or industry associations	16.7%	16.7%	16.7%	16.7%	33.3%

According to the qualitative findings many managers believed that government trade support was generally lacking (10 respondents). In particular, managers noted support was deficient in support

programs, communication about FTAs, promotion of the Australian brand and networking. For example, the CEO of a consulting firm perceived that the government had a reactive approach to supporting small firms embarking on new international business opportunities (Case 3).

One of the problems with Austrade, because of budget cutbacks ... is that they are now saying that you need to be export-ready before Australia will give you assistance. ... How do you get export ready? That's a function that Australia should be involved in. Part of the role is to get companies to an export-ready stage so they can be supported. Yes, Austrade is required to help cover its costs but it's not required to help cover all of its costs. So that means when industry is looking for assistance from Australia, it's on a user-pays basis. People who are beginning to work into export markets, they don't have the ability to do user-pays, so what they do is, they do it by themselves ... then Austrade has to come in and help with the rescues. Not a good policy. Not a good approach. (CEO, Case 3).

This is supported by the owner/manager of Case 25, a gutter products wholesaler, who expressed frustration with the lack of support available during the pre-export phase.

I feel let down from Austrade. ... Surely Austrade should say, 'You just need a little help and here you go, we'll help you out'. But yeah, because I've already started selling product they think that you're already up and running. (Owner/manager, Case 25)

Managers of manufacturing and service firms considered that the Australian Government was less supportive of businesses than were the governments of other countries (Cases 3 and 20). The owner of a consulting firm for the agriculture, forestry and fishing industry perceived that Austrade tried to "pick the winners" and supported only some industries (Case 20).

The CEO of a consulting firm believed the Australian Government was out of touch with the business environment and therefore could not adequately support many international businesses (Case 3). This CEO believed that the support provided by the Australian Government was less useful than the support of other governments that were more in touch with current business needs.

When we compare the support that's offered to exporters in Australia ... to exporters offered in Singapore, for instance – hopeless. If we say that we rely on export as a major part of Australia's income, well, that needs to be supported. Cases in point, let's talk about EMDG, for instance. In 2008 world markets changed and it's changed dramatically, so all the work that we put in using EMDG grants prior to 2008 was invalidated by market collapses in 2008. We had to essentially go back and start from the very beginning ... to re-establish ourselves in markets and new market areas as they were developing. No further support available. What a joke ... When I'm working in Singapore, Singapore recognised that those were fundamental changes in market economies and they set up a whole new

range of programs to help companies re-orientate and re-enter those export markets. (CEO, Case 3)

The Sales and Marketing Manager of a producer and grower of organic dried fruit believed that government trade support programs were “ad hoc” and “random” (Case 13). She explained that her firm was often notified of government events such as trade shows that were either not relevant or sold out.

In terms of what we've been advised of or the events that we're being invited [to], some of them are applicable, some of them aren't. I'm not sure if it's a blanket approach or whether it's really dependent on your company profile. And sometimes we get notified of an event and it's already sold out when we are interested in it. We weren't advised at the beginning. So it's really random. (Sales and Marketing Manager, Case 13)

Some managers said trade-related support needed to be better targeted. The director of a manufacturing firm that produces infant formula said the government had a poor understanding of industry issues and needs (Case 16). He believed the “one-size-fits-all” approach typically adopted by government representatives was unhelpful. The manager said government agencies did not help to address specific business problems.

I think the government should listen to industry and respond to the specific requests of industry. The government tries to make themselves a one-size-fits-all [service] and they create their own program and agenda. What they don't realise is that every single one of the disparate groups of commercial entities that are trying to use their expertise and support have done their own work, homework, and they really have had a bit of a go on the marketplace and are looking for a leg up and some specific help. (Director, Case 16).

The managers of Cases 18 and 26 supported the notion that the Australian Government could better support international businesses. According to the CEO of a wool processing firm, government agencies tended to “recycle information” and sell this information to third parties. Case 26 said government initiatives were passive and did not “facilitate anything”.

I think that some of those initiatives are good, but really I see them as being quite passive. So they fund or give information about trade and foreign markets, they don't necessarily facilitate anything, they don't assist as such. That's been my experience anyway. And if the Australian Government is serious about developing Australia as a knowledge nation or an innovation nation, you know in sort of the Turnbull-speak at the moment, then I think yeah, I would encourage sort of some more participation. (CEO, Case 26)

The CEO of Case 3 believed that government support for small and medium enterprises (SMEs) developing international businesses was particularly lacking. He believed that government funding was preferentially allocated to large firms developing international business ventures. He believed this government focus was evident in the criteria used to qualify for grants, such as the EDMG.

I no longer use government support because I find that they are out of touch with the modern economy, they are out of touch with the reality of exporting, they have a wonderful focus on large scale companies like BHP and Rio and Fortescue Metals. They do not need government support. [It is the] SME sector which needs government support, which needs a helping hand to move up. What's available is inappropriate for the industry. EDMG for instance, they lifted the threshold level for participation. I can't remember how much it was now, but they lifted it from the original pre-2008 levels, which meant that for many SMEs it was simply not possible. The minimum expansion required meant it wasn't even worth looking at the program. (CEO, Case 3).

Furthermore, some managers said that government grant applications were time-consuming. Such perceptions prevented some firms from submitting applications for government grants. This included managers of firms that had not applied for government grants, and those who had. For example, the director of a medium-sized manufacturing firm stated that:

There would be a perception in our team that we would like to go looking for them [government grants] but in the back of our mind there will always be the concern that it takes up a lot of time and a lot of red tape in how to get something. At one stage we looked at an R&D [research and development] grant. ... And quite frankly, we just didn't have the time. We're quite time-poor being a family business. ... There's a perception there that if you're going to get the government involved, well, we haven't got time for that. (Director, Case 11).

Managers of a medium-sized mining technology firm were aware of how time-consuming government grants were; however, they continued to apply for a research and development grant (Case 1). This firm had an engineering team dedicated to writing the application and had successfully applied for the same grant in previous years. However, the application process became more and more complicated each year.

We claim the research and development tax incentive program. ... Let me tell you, though, the amount of compliance is hardly worth our trouble. ... We will pick off some research projects that we think that we can document in accordance to their requirements. ... I think it's alright if you want to have a whole department that's devoted to filling out forms and

trying to get the compliance right. It sends our finance department nuts and it literally distracts our engineering team but we've got one project running at the moment and our hardware engineer, he's pretty good at it. So we've said, OK, well we'll document it and we'll make the claim. (Executive Director, Case 1)

Many managers were positive about the support provided by the Australian Government to Australian businesses with international operations. Some managers praised government support programs that assisted business operations, including marketing, trade missions, trade shows, private market visits, development of contacts and leads in foreign markets, and the provision of credibility and legitimacy in foreign markets.

For example, the CEO of a maritime industry service firm praised the Australian Government after his firm received an export marketing grant that allowed senior managers to travel overseas to promote the product in new markets.

It was fantastic to be able to get that money and... we made ... a ... decision that we would reinvest that in our marketing. ... That allowed me to ... travel around the world more I think it allowed us to ... internationalise our business and grow our business quickly. ... And so we probably wouldn't have done as many you know far away trips that we did or I did. ... In the early days and that created some momentum which then we were able to capture in later years. (CEO, Case 12)

The Director of Case 15 also supported the EMDG, though said the grant application process was very costly and time consuming.

I think they are helpful, certainly from an Austrade perspective, in terms of opening doors. As long as you're mindful that that's pretty much all it will ever amount to, then that is helpful. I think there are some useful grant opportunities, so trade and investment do have some good grant schemes. Again, being mindful of the overhead that comes with that. (Director, Case 15)

Some managers said the government provided support in developing their partner network (4 cases). For example, the Director of an aviation market radar performance analyst firm said Austrade provided a "good entry point" into Malaysia by establishing contact with the Royal Malaysian Air Force (Case 15). However this Director believed that Austrade's assistance was limited mainly to "opening doors".

Sometimes [Austrade is helpful] yes, sometimes no. So in Malaysia when we first kicked off some discussions with the Royal Malaysian Air Force some years ago, our first entry point

was through Austrade. So in the civilian market we didn't, but in the defence market we did.
(Director, Case 15)

The owner of a consulting firm in the agriculture, forestry and fishing industry stated that, on occasions, he “had quite good relationships with Austrade” (Case 20). Dealings with Austrade had many valuable benefits, as Austrade provided access to networks, contacts and opportunities in foreign markets.

On occasions I've used their Australian overseas offices and on occasions I've obviously used networks that I've built up and key contacts around the place that help me. ... Look they were very helpful over the years and I think I'd have to say, and I don't think Austrade would disagree, that their helpfulness is now limited by their fee-for-services mechanism.
(Owner, Case 20)

5.1. SUMMARY

The results show that the majority of respondents “rarely” or “never” used trade support services. However, of those utilised, chambers of commerce and industry associations were ranked highest. EFIC was the least utilised across the board (the survey was undertaken before EFIC released its new offerings for SMEs). The qualitative findings provided insight into the low utilisation rates:

- Many services were perceived to be focused on businesses that are already export-ready, suggesting a need for more support to SMEs at the start-up/pre-export phase.
- The government was perceived as trying to “pick winners” to the exclusion of other industries.
- The support offered to businesses was not “fit for purpose” and did not meet the changing needs of business. Support offerings needed to be less “one-size-fits-all” and more targeted to the needs of business.
- A lack of consistency and certainty related to the trade services offered.
- Businesses were often not aware of trade support opportunities, or notified too late to participate.
- A perception that when government is involved (in the instance of support or a grant), it leads to more time and effort from the business to manage red tape and compliance.

Conversely, several respondents noted the good work undertaken by the Australian Government to support international trade, including assistance with marketing, trade missions, trade shows, private market visits, development of contacts and leads in foreign markets, and the provision of credibility and legitimacy in foreign markets. The EMDG was noted as effectively assisting business. Austrade was praised for “opening doors” and providing networks and contacts.

The following recommendations are made:

Recommendation 7:

Focus trade support on the pre-export phase of business and make available the training and support needed to execute an international market strategy.

Recommendation 8:

Tailor support services to target specific issues facing small business.

Recommendation 9:

Minimise unnecessary compliance associated with trade support and grants.

Recommendation 10:

Work with Chambers of Commerce to provide a seamless package of support measures for exporters.

Recommendation 11:

Government should not raise a fee-for-service charge. Chambers and other providers offer commercial support services and Austrade and other agencies should refer clients on to these providers once the client needs more specific support.

6. EXPERIENCE WITH INTERMEDIARIES

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

Overall, shipping and logistics companies were rated the highest, with a mean value of 2.82 (out of 4.0) and nearly three-quarters of respondents (74.4 per cent) stated their experience with shipping and logistics companies was either “good” or “excellent”. This was followed by Australian Customs, with a mean value of 2.73, and 72.2 per cent of businesses rating it to be either “good” or “excellent”. The results are in line with the 2014 and 2015 results, where shipping and logistics companies and Australian Customs were ranked the highest and second highest. The intermediary to receive the lowest rating was Australia Post, with a lowest mean value of 2.5 and a highest proportion of “poor” category (11.4 per cent).

Table 6.1. Respondents’ experience with trade related intermediaries

(In order of quality 2016)

	Mean (from 4 – Excellent to 1 – Poor)		
	2016	2015	2014
Shipping and logistics companies	2.82	2.93	2.88
Australian Customs	2.73	2.82	2.76
Australian Immigration	2.72	2.63	2.68
Courier companies	2.64	2.78	2.76
Australia Post	2.50	2.60	2.73

Table 6.2. Respondents’ experience with trade related intermediaries 2016: All business

	Excellent	Good	Average	Poor
Australian Customs	5.6%	63.6%	29.0%	1.9%
Australian Immigration	14.5%	49.4%	30.1%	6.0%
Australia Post	7.3%	47.2%	34.1%	11.4%
Courier companies	5.4%	58.1%	31.0%	5.4%
Shipping and logistics companies	13.7%	60.7%	19.7%	6.0%

With regard to firm size comparisons, the majority of firms rated their experiences to be “good” across all listed intermediaries. Large firms tended to be more satisfied with the services provided by the intermediaries than were small and medium firms. For example, no “poor” assessment was given by large firms for Australian Customs, Australia Post, courier companies and shipping and logistics companies. Most notably, while Australia Post received the greatest proportion of “poor” ratings by small and medium firms, large firms rated Australia Post to be the most positive interaction (87.5 per cent of large firms declared their interaction to be either “excellent” or “good”).

Table 6.3. Respondents' experience with trade related intermediaries 2016: Small business

	Excellent	Good	Average	Poor
Australian Customs	5.2%	65.5%	27.6%	1.7%
Australian Immigration	17.8%	48.9%	28.9%	4.4%
Australia Post	7.2%	43.5%	36.2%	13.0%
Courier companies	4.3%	54.3%	32.9%	8.6%
Shipping and logistics companies	15.2%	56.1%	21.2%	7.6%

Table 6.4. Respondents' experience with trade related intermediaries 2016: Medium business

	Excellent	Good	Average	Poor
Australian Customs	7.1%	57.1%	33.3%	2.4%
Australian Immigration	13.8%	44.8%	34.5%	6.9%
Australia Post	6.5%	47.8%	34.8%	10.9%
Courier companies	6.1%	67.3%	24.5%	2.0%
Shipping and logistics companies	11.1%	66.7%	17.8%	4.4%

Table 6.5. Respondents' experience with trade related intermediaries 2016: Large business

	Excellent	Good	Average	Poor
Australian Customs	0.0%	85.7%	14.3%	0.0%
Australian Immigration	0.0%	66.7%	22.2%	11.1%
Australia Post	12.5%	75.0%	12.5%	0.0%
Courier companies	10.0%	40.0%	50.0%	0.0%
Shipping and logistics companies	16.7%	66.7%	16.7%	0.0%

6.1. 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 business.

7. TRADE FINANCE

Businesses were asked to rate the level of difficulty they experienced when accessing trade finance. The results show that less than 20 per cent of businesses experienced difficulties (combined “difficult” and “very difficult” categories) in accessing trade finance. However, while nearly one-quarter of small businesses (22.9 per cent) stated they experienced such difficulties, the number for large firms was only 8.3 per cent.

Table 7.1. Level of difficulty accessing trade finance

	Small	Medium	Large	All business
Very easy	3.4%	5.5%	16.7%	5.2%
Easy	10.3%	9.1%	8.3%	9.7%
Neither easy nor difficult	17.2%	23.6%	33.3%	20.8%
Difficult	10.3%	10.9%	0.0%	9.7%
Very difficult	12.6%	5.5%	8.3%	9.7%
N/A	46.0%	45.5%	33.3%	44.8%

The survey results were supported by the qualitative data. Most managers reported that they did not encounter significant difficulties accessing trade finance, while some managers stated that they self-funded their businesses. Finance difficulties were also mitigated by relying on networks and requesting for up-front payments. One manager was not aware that finance was available.

7.1. SUMMARY

Overall, the majority of respondents considered access to trade finance to be neither easy nor difficult, which broadly suggests indifference to the issue. However, almost one-third of small business respondents (22 per cent) noted gaining access to trade finance to be either “difficult” or “very difficult”. This result is in contrast with large firm respondents, whereby only 8.3 per cent noted it was “very difficult”. The qualitative findings suggest that many firms do not rely on trade finance. Instead they relied on personal savings, networks and requesting upfront payments to facilitate cash flow.

In light of the above, the following recommendation has been made:

Recommendation 12:

Consider strategies to make it easier for small and medium-sized businesses to access trade finance.

8. TRADE AGREEMENTS

8.1. 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 the majority of businesses continued to not understand and not use FTAs. The proportion of businesses understanding general trade and FTAs ranged from 18.1 per cent to 31.7 per cent. The figure for businesses using general trade and FTAs ranged from 5.6 per cent to 20 per cent. Most notably, the highest rate of businesses surveyed both understanding and using general trade and FTAs was only 15.3 per cent.

The most well understood agreement reported was the Australia-United States FTA with a result of 31.7 per cent. This was followed by the China-Australia FTA (31 per cent) and the ASEAN-Australia-New Zealand FTA (29.9 per cent). The Australia-United States FTA, China-Australia FTA and ASEAN-Australia-New Zealand FTA were also the most, second most, and third most utilised, respectively, by all businesses surveyed.

The least understood and least used agreement was the WTO agreement (most favoured nation provision), with nearly a half of businesses (49.7 per cent) stating they do not use this agreement and 39.9 per cent acknowledging 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 reflect the automatic nature of its provisions, meaning businesses use it without knowing.

Table 8.1. Rating of businesses' understanding of general trade and free trade agreements – All business

	I understand it and I use it	I understand it but I don't use it	I don't understand it but I use it	I don't understand it and I don't use it	This FTA is not relevant to me
ASEAN-Australia-New Zealand FTA	15.3%	14.6%	2.1%	21.5%	46.5%
Australia-Chile FTA	2.8%	15.3%	2.8%	19.4%	59.7%
Australia-New Zealand Closer Economic Relations	6.3%	16.1%	3.5%	25.9%	48.3%
Australia-United States FTA	15.2%	16.6%	4.8%	22.1%	41.4%
Malaysia-Australia FTA	10.6%	15.5%	6.3%	24.6%	43.0%
Singapore-Australia FTA	7.6%	15.3%	6.3%	28.5%	42.4%
Japan-Australia Economic Partnership Agreement	11.1%	13.2%	3.5%	24.3%	47.9%
Korea-Australia FTA	10.5%	14.7%	4.2%	21.7%	49.0%
China-Australia FTA (not yet in force)	12.4%	18.6%	6.2%	26.2%	36.6%
Thailand-Australia FTA	9.7%	15.9%	3.4%	24.8%	46.2%
WTO Agreement (most favoured nation provisions)	7.7%	11.2%	2.8%	38.5%	39.9%

With regard to firm size variations, the FTA best understood by small firms was the China-Australia FTA (27.4 per cent), while the least understood was the Australia-Chile FTA (15.5 per cent). Medium firms noted the strongest understanding of the ASEAN-Australia-New Zealand FTA (36.7 per cent), and like small firms, noted the least understanding of the Australia-Chile FTA (14.6 per cent). Large firms, on the other hand, stated a strong understanding of the Australia-United States FTA (66.7 per cent), and noted the least understanding of the WTO agreement (25 per cent). 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.

Table 8.2. Rating of businesses' understanding of general trade and free trade agreements – Small business

	I understand it and I use it	I understand it but I don't use it	I don't understand it but I use it	I don't understand it and I don't use it	This FTA is not relevant to me
ASEAN-Australia-New Zealand FTA	9.6%	13.3%	1.2%	21.7%	54.2%
Australia-Chile FTA	1.2%	14.3%	3.6%	19.0%	61.9%
Australia-New Zealand Closer Economic Relations	4.8%	16.7%	1.2%	23.8%	53.6%
Australia-United States FTA	10.6%	14.1%	4.7%	21.2%	49.4%
Malaysia-Australia FTA	7.2%	14.5%	4.8%	25.3%	48.2%
Singapore-Australia FTA	6.0%	12.0%	4.8%	30.1%	47.0%
Japan-Australia Economic Partnership Agreement	8.4%	10.8%	1.2%	22.9%	56.6%
Korea-Australia FTA	8.4%	13.3%	1.2%	20.5%	56.6%
China-Australia FTA (not yet in force)	10.7%	16.7%	4.8%	23.8%	44.0%
Thailand-Australia FTA	7.1%	15.5%	1.2%	23.8%	52.4%
WTO Agreement (most favoured nation provisions)	7.2%	10.8%	1.2%	33.7%	47.0%

**Table 8.3. Rating of businesses' understanding of general trade and free trade agreements –
Medium business**

	I understand it and I use it	I understand it but I don't use it	I don't understand it but I use it	I don't understand it and I don't use it	This FTA is not relevant to me
ASEAN-Australia-New Zealand FTA	20.4%	16.3%	4.1%	22.4%	36.7%
Australia-Chile FTA	4.2%	10.4%	2.1%	20.8%	62.5%
Australia-New Zealand Closer Economic Relations	6.4%	14.9%	6.4%	31.9%	40.4%
Australia-United States FTA	22.9%	12.5%	6.3%	25.0%	33.3%
Malaysia-Australia FTA	12.8%	12.8%	10.6%	23.4%	40.4%
Singapore-Australia FTA	8.2%	16.3%	8.2%	28.6%	38.8%
Japan-Australia Economic Partnership Agreement	12.2%	12.2%	6.1%	30.6%	38.8%
Korea-Australia FTA	12.5%	14.6%	6.3%	27.1%	39.6%
China-Australia FTA (not yet in force)	14.3%	18.4%	8.2%	30.6%	28.6%
Thailand-Australia FTA	10.2%	14.3%	6.1%	30.6%	38.8%
WTO Agreement (most favoured nation provisions)	8.3%	10.4%	4.2%	47.9%	29.2%

Table 8.4. Rating of businesses' understanding of general trade and free trade agreements – Large business

	I understand it and I use it	I understand it but I don't use it	I don't understand it but I use it	I don't understand it and I don't use it	This FTA is not relevant to me
ASEAN-Australia-New Zealand FTA	33.3%	16.7%	0.0%	16.7%	33.3%
Australia-Chile FTA	8.3%	41.7%	0.0%	16.7%	33.3%
Australia-New Zealand Closer Economic Relations	16.7%	16.7%	8.3%	16.7%	41.7%
Australia-United States FTA	16.7%	50.0%	0.0%	16.7%	16.7%
Malaysia-Australia FTA	25.0%	33.3%	0.0%	25.0%	16.7%
Singapore-Australia FTA	16.7%	33.3%	8.3%	16.7%	25.0%
Japan-Australia Economic Partnership Agreement	25.0%	33.3%	8.3%	8.3%	25.0%
Korea-Australia FTA	16.7%	25.0%	16.7%	8.3%	33.3%
China-Australia FTA (not yet in force)	16.7%	33.3%	8.3%	25.0%	16.7%
Thailand-Australia FTA	25.0%	25.0%	8.3%	8.3%	33.3%
WTO Agreement (most favoured nation provisions)	8.3%	16.7%	8.3%	33.3%	33.3%

8.2. USEFULNESS OF CURRENT FREE TRADE AGREEMENTS

Respondents were asked to rate the usefulness of the existing FTAs. The results show that between one-quarter and 42 per cent of respondents had “never heard” of the listed FTAs. Compared with the 2015 results, the proportion of “never heard of the listed FTAs” in 2016 was lower, suggesting that awareness is rising, possibly related to the government’s efforts to promote the three North Asia FTAs. In line with the 2014 and 2015 results, the Australia-Chile FTA was the least known agreement and the Australia-United States FTA was the best known FTA.

Overall, the Australia-United States FTA was considered to be the most useful, with 26.1 per cent stating it was either “very useful” or “somewhat useful”. This was followed by the General Agreement on Tariffs and Trade (GATT/WTO) (25.9 per cent) and the ASEAN-Australia-New Zealand FTA (25.5 per cent). The FTA considered the least useful was Australia-Chile FTA, with 86.7 per cent of respondents noting that it was “slightly useful”, “not useful” or “never heard of it”.

Table 8.5. Businesses’ usefulness rating of current FTAs: All business

	Very useful	Somewhat useful	Slightly useful	Not useful	Never heard of it
General Agreement on Tariffs and Trade	9.8%	16.1%	18.9%	22.4%	32.9%
General Agreement on Trade in Services	4.9%	16.1%	14.0%	23.8%	41.3%
Australia-Chile FTA	4.9%	8.4%	6.3%	38.5%	42.0%
Australia-New Zealand Closer Economic Relations	7.8%	11.3%	14.9%	31.2%	34.8%
Australia-United States FTA	13.4%	12.7%	9.2%	39.4%	25.4%
Malaysia-Australia FTA	9.2%	14.9%	7.1%	35.5%	33.3%
Singapore-Australia FTA	7.8%	13.5%	9.9%	34.8%	34.0%
Thailand- Australia FTA	8.5%	14.1%	7.0%	36.6%	33.8%
ASEAN-Australia-New Zealand FTA	11.3%	14.2%	11.3%	30.5%	32.6%

When comparing the results across firm sizes, small firms noted GATT to be the most useful, with 24.1 per cent of firms noting it was either “very useful” or “somewhat useful”. In contrast, medium firms and large firms considered the Australia-United States FTA to be the most useful (29.8 per cent and 66.7 per cent, respectively). The least useful FTA according to firm size was the Australia-Chile FTA for both small and medium firms (9.6 per cent and 10.4 per cent, respectively), as was the Australia-New Zealand Closer Economic Relations (45.5 per cent) 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 firms.

Table 8.6. Businesses’ usefulness rating of current FTAs: Small business

	Very useful	Somewhat useful	Slightly useful	Not useful	Never heard of it
General Agreement on Tariffs and Trade	8.4%	15.7%	16.9%	26.5%	32.5%
General Agreement on Trade in Services	6.0%	13.3%	12.0%	27.7%	41.0%
Australia-Chile FTA	3.6%	6.0%	8.4%	43.4%	38.6%
Australia-New Zealand Closer Economic Relations	6.0%	10.8%	15.7%	37.3%	30.1%
Australia-United States FTA	8.4%	9.6%	12.0%	42.2%	27.7%
Malaysia-Australia FTA	7.2%	10.8%	10.8%	38.6%	32.5%
Singapore-Australia FTA	7.2%	9.6%	13.3%	37.3%	32.5%
Thailand- Australia FTA	7.2%	9.6%	9.6%	42.2%	31.3%
ASEAN-Australia-New Zealand FTA	12.0%	8.4%	13.3%	34.9%	31.3%

Table 8.7. Businesses' usefulness rating of current FTAs: Medium business

	Very useful	Somewhat useful	Slightly useful	Not useful	Never heard of it
General Agreement on Tariffs and Trade	10.4%	10.4%	20.8%	16.7%	41.7%
General Agreement on Trade in Services	0.0%	14.6%	18.8%	14.6%	52.1%
Australia-Chile FTA	4.2%	6.3%	2.1%	29.2%	58.3%
Australia-New Zealand Closer Economic Relations	8.5%	8.5%	8.5%	23.4%	51.1%
Australia-United States FTA	19.1%	10.6%	4.3%	38.3%	27.7%
Malaysia-Australia FTA	8.7%	17.4%	0.0%	30.4%	43.5%
Singapore-Australia FTA	6.5%	15.2%	2.2%	30.4%	45.7%
Thailand- Australia FTA	8.5%	14.9%	4.3%	25.5%	46.8%
ASEAN-Australia-New Zealand FTA	6.5%	17.4%	8.7%	23.9%	43.5%

Table 8.8. Businesses' usefulness rating of current FTAs: Large business

	Very useful	Somewhat useful	Slightly useful	Not useful	Never heard of it
General Agreement on Tariffs and Trade	16.7%	41.7%	25.0%	16.7%	0.0%
General Agreement on Trade in Services	16.7%	41.7%	8.3%	33.3%	0.0%
Australia-Chile FTA	16.7%	33.3%	8.3%	41.7%	0.0%
Australia-New Zealand Closer Economic Relations	18.2%	27.3%	36.4%	18.2%	0.0%
Australia-United States FTA	25.0%	41.7%	8.3%	25.0%	0.0%
Malaysia-Australia FTA	25.0%	33.3%	8.3%	33.3%	0.0%
Singapore-Australia FTA	16.7%	33.3%	16.7%	33.3%	0.0%
Thailand- Australia FTA	16.7%	41.7%	0.0%	41.7%	0.0%
ASEAN-Australia-New Zealand FTA	25.0%	41.7%	8.3%	25.0%	0.0%

Regarding the qualitative responses, managers were asked whether they used any of the free trade agreements. Most managers reported that they did not use the in-force FTAs. When asked why they did not use the in-force FTA, some managers stated that they were not aware of the FTA. For example, the owner of a wholesale firm stated “I really don’t know how they work” (Manager/Owner, Case 25). There was also lack of understanding about the status of some FTAs and the opportunities/benefits they provided.

Well Austrade hasn’t even got through to signing it so ... you just get bogged down in all the details. ... Obviously there’s free trade agreements, there’s a lot of ads on TV... (Managing Director, Case 18)

The Owner of a firm in the agriculture, forestry and fisheries industry also noted that it will take time before the benefits of FTAs are known, pointing out that free trade agreements impact businesses differently (Case 20).

It takes some time for the real benefit of free trade agreements to become known and that’s not being critical of anyone being secretive or anything like that. It just takes some time once the trade agreement has been signed, sealed and delivered and the market’s been opened up to really understand what impact they’re going to have over the years and what impact they’re going to have. ... Some businesses can have a very quick and real advantage, other businesses will have to understand better how it operates when it goes right through the whole, the whole supply chain. (Owner, Case 20).

8.3. PREFERRED GOVERNMENT’S PRIORITIES OF 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 (47.2 per cent of respondents across all cohorts). This was followed by the Indonesia-Australia Comprehensive Economic Partnership Agreement (41.7 per cent). The least priority was given to the Regional Comprehensive Economic Partnership (20.5 per cent).

The results diverged according to firm size. Small firms favoured the Indonesia agreement (42.1 per cent) and the India agreement (40.8 per cent) in first and second place. The highest priority was given to the India agreement for medium firms and large firms (56.1 per cent and 60 per cent, respectively). However, while medium firms favoured the Indonesia agreement (46.3 per cent) in second place, large firms equally considered the Trans-Pacific Partnership and the Doha Round to be the second priority.

Table 8.9. Preferred the government's priorities of future free trade agreements

	Small	Medium	Large	All business
Gulf Co-operation Council	28.9%	29.3%	20.0%	28.3%
Australia-India Comprehensive Economic Cooperation Agreement	40.8%	56.1%	60.0%	47.2%
Indonesia-Australia Comprehensive Economic Partnership Agreement	42.1%	46.3%	20.0%	41.7%
Pacific Agreement on Closer Economic Relations (PACER) Plus	17.1%	31.7%	30.0%	22.8%
Trans Pacific Partnership	27.6%	22.0%	40.0%	26.8%
Regional Comprehensive Economic Partnership	23.7%	12.2%	30.0%	20.5%
European Union	31.6%	43.9%	0.0%	33.1%
Doha round (World Trade Organization)	25.0%	14.6%	40.0%	22.8%
Other	11.8%	4.9%	0.0%	8.7%

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

Businesses were asked to state their preferred type of agreement on which the Australian Government should focus its efforts. Overall, nearly two-thirds of businesses (63.3 per cent) mentioned free trade agreements as their favoured option. This is also similar to all firm sizes. Double taxation agreements and investment protection agreements received the second place (15.6 per cent). However, large firms were more interested in double taxation agreements (27.3 per cent) than investment protection agreements (9.1 per cent).

Table 8.10. Preferred type of agreement the Australian government should focus its efforts

	Small	Medium	Large	All business
Free trade agreements	62.7%	66.7%	54.5%	63.3%
Double taxation agreements	14.7%	14.3%	27.3%	15.6%
Investment protection agreements	17.3%	14.3%	9.1%	15.6%
Other	5.3%	4.8%	9.1%	5.5%

8.5. SUMMARY

Overall, the results show that utilisation and understanding of FTAs remains low across all sizes of business. The qualitative findings support this result. The promising aspect, however, is that on a year-on-year basis, awareness is actually increasing – suggesting either government messaging or other training platforms may be having an impact.

The Australia-US FTA remains the most well understood and utilised agreement, followed by the China-Australia FTA and the ASEAN-Australia-New Zealand FTA. With China and the United States within our top three trading partners, this result is not surprising. The least used and understood FTA was the Australia-Chile FTA, a result confirmed for a third consecutive year.

Firm size results revealed interesting differences across firm cohorts. Small firms favoured the China-Australia FTA, medium businesses preferred the ASEAN-Australia-New Zealand FTA and large firms utilized the Australia-US FTA.

Furthermore, large firms overall reported a better understanding of FTAs compared with small and medium sized enterprises.

In terms of future FTA priorities, the results indicated in order of preference: Australia-India Comprehensive Economic Cooperation Agreement, Indonesia-Australia Comprehensive Economic Partnership Agreement and the Australia-European Union FTA. All firms agreed that FTAs should be the preferred type of agreement that should be pursued by government.

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

Recommendation 14:

Chambers of Commerce and Industry Associations should undertake measures to increase the awareness of their service offerings that support firms involved in international trade.

9. TRADE SERVICES

9.1. 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, more than a half of respondents (58.7 per cent) stated they did not understand these services well. However, differences emerged when comparing the results across firm sizes. While three-quarters of large firms understood “well” and “very well” these services, small and medium firms had limited understanding of these services with only 39.3 per cent of small firms and 36.2 per cent of medium firms stating they understood “well” and “very well”.

Table 9.1. Level of understanding of trade services provided by chambers of commerce and industry associations

	Small	Medium	Large	All business
Very well	11.9%	8.5%	16.7%	11.2%
Well	27.4%	27.7%	58.3%	30.1%
Not well	60.7%	63.8%	25.0%	58.7%

9.2. 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 41.5 per cent of respondents felt that the services

offered by these organisations were not applicable to them. This number was higher compared with the previous year (33.9 per cent). However, the majority of those respondents that did deal with the chambers of commerce and industry associations stated they were “extremely satisfied”, “very satisfied” or “moderately satisfied”. Only 4.2 per cent of respondents claimed they were “unsatisfied”. The proportion of “unsatisfied” has fallen from those reported the previous year (10.8 per cent).

Across business sizes, 42.9 per cent of small firms and 43.5 per cent of medium firms did not deal with the chambers of commerce and industry associations for services. These numbers have also risen from the results last year, whereby the number of small firm and large firms was 38.6 per cent and 30 per cent, respectively. In contrast, the number for large firms has fallen from 29.2 per cent in 2015 to a quarter in 2016. Most notably, 100 per cent of large firms that did deal with the services were satisfied.

Table 9.2. Level of satisfaction with services provided by Chambers of Commerce and Industry Associations

	Small		Medium		Large		All business	
	2016	2015	2016	2015	2016	2015	2016	2015
Extremely satisfied	6.0%	4.8%	2.2%	3.3%	0.0%	0.0%	4.2%	3.6%
Very satisfied	21.4%	26.5%	21.7%	28.3%	41.7%	20.8%	23.2%	26.2%
Moderately satisfied	23.8%	19.3%	30.4%	25.0%	33.3%	45.8%	26.8%	25.6%
Unsatisfied	6.0%	10.8%	2.2%	13.4%	0.0%	4.2%	4.2%	10.8%
N/A	42.9%	38.6%	43.5%	30.0%	25.0%	29.2%	41.5%	33.9%

9.3. INTEREST IN RELATED SEMINARS AND COURSES

Respondents were polled on their interest in trade-related seminars and courses. The majority of respondents, across all cohorts would like to learn more about FTAs (48.2 per cent). This finding is in line with the 2014 and 2015 results. This was followed by international market development and protecting intellectual property (38.7 per cent equally).

With regard to firm size differences, while medium and large firms considered FTAs to be the first place in their interest, small firms indicated their strongest interest in international market development. Table 12.3 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 and highlight possible areas for service offerings.

Table 9.3. Top five areas of interest according to firm size

	Small	Medium	Large
1	International market development	Free trade agreements	Free trade agreements
2	Free trade agreements	Protecting intellectual property	Protecting intellectual property
3	Internationally enforceable model contracts	Exporting	E-commerce
4	Exporting	- Internationally enforceable model contracts - Trade documentation and Certificates of Origin - International market development	- Exporting - Internationally enforceable model contracts - International market development
5	Protecting intellectual property		

Table 9.4. Interest in related seminars and courses

	Small	Medium	Large	All business
Free trade agreements	42.5%	55.6%	58.3%	48.2%
Exporting	36.3%	40.0%	25.0%	36.5%
Importing	20.0%	17.8%	16.7%	19.0%
Payment in international trade	22.5%	15.6%	16.7%	19.7%
Trade documentation and Certificates of Origin	17.5%	31.1%	8.3%	21.2%
Authorised economic operator schemes	1.3%	4.4%	0.0%	2.2%
E-commerce	30.0%	22.2%	33.3%	27.7%
Commercial crime in international trade	6.3%	15.6%	16.7%	10.2%
Internationally enforceable model contracts	41.3%	31.1%	25.0%	36.5%
Commercial dispute resolution	22.5%	20.0%	8.3%	20.4%
International market development	45.0%	31.1%	25.0%	38.7%
Export market planning	27.5%	26.7%	8.3%	25.5%
Protecting intellectual property	30.0%	53.3%	41.7%	38.7%
Financing international trade	23.8%	13.3%	8.3%	19.0%
Other	7.5%	4.4%	25.0%	8.0%

9.4. PREFERRED FORMAT FOR RECEIVING INFORMATION

Respondents were asked to provide their preferred format for receiving information. Over 90 per cent of respondents indicated email to be their first priority. This was followed by face-to-face seminars (35.2 per cent) and forums (21.8 per cent). All firm sizes favoured email and face-to-face seminars in the first and second place. However, while medium and large firms considered forums to be the third place, small firms stated conferences was their third option.

With regard to the qualitative findings, the majority of cases stated they would prefer to receive information about FTAs in written form, such as an email or newsletter. Such findings support the quantitative results. Some managers expressed a preference for a succinct outline of FTA information that was relevant to their firm's operations.

So I'm happy to receive it in written form. It's always great if it comes with an ... executive summary as well as the detail. We're all busy and you know ... it's nice to get to the point and understand whether you're going to struggle with the next 50 pages or not. (CEO, Case 26)

Table 9.5. Preferred format for receiving information

	Small	Medium	Large	All business
E-mail	89.2%	97.9%	75.0%	90.8%
Webinars	21.7%	19.1%	25.0%	21.1%
Face-to-face seminars	39.8%	27.7%	33.3%	35.2%
Roundtables	18.1%	8.5%	25.0%	15.5%
Forums	20.5%	21.3%	33.3%	21.8%
Conferences	25.3%	12.8%	16.7%	20.4%
Other	1.2%	0.0%	0.0%	0.7%

9.5. SUMMARY

The results from this section reveal that most respondents, across firm sizes, were either “moderately satisfied” or “very satisfied” with the trade services provided by chambers of commerce and industry associations. A small percentage of respondents noted being “unsatisfied”, although this figure more than halved from the previous year. Across the board, all cohorts reported lower levels of dissatisfaction in 2016 compared with 2015 results. No 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 14:

Chambers of Commerce and Industry Associations should undertake measures to increase the awareness of their service offerings that support firms involved in international trade.

10. CONCLUSIONS

The purpose of this study was to investigate the attitudes of Australian businesses on the issues and challenges facing international traders. Overall, the 2016 results are largely consistent with the 2014 and 2015 results. The findings of this study show that Australian businesses were active in both exporting and importing. 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. Notably, 2016 is the third year that overall international competitiveness remains the number one concern for Australian businesses and thus improving competitiveness of Australian businesses should be the government's priority.

With regard to trade administrative issues, the quality of all listed issues of 2016 were lower than those of 2014 and 2015. In particular, Halal certificates continued to be the most negative ranked administrative issue.

Similar to the 2014 and 2015 results, 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. Similarly, the majority of businesses continued to not understand and not use FTAs, especially small and medium firms. This suggests a need for more effective knowledge transfer about FTAs to small and medium firms. Further, while chambers of commerce and industry associations provide a wide range of trade-related services to Australian businesses, more than a half of respondents (58.7 per cent) stated they did not well understand these services. The availability and efficacy of such services therefore need to be re-evaluated.

The results provide significant insights on how to deal with businesses' barriers in international trade and how to improve the efficacy of government initiatives to meet the demands of Australian businesses.

APPENDIX I – SURVEY RESPONDENT CHARACTERISTICS

Industry	Response
Accommodation and food services	0.5%
Accounting, financial and insurance services	3.5%
Administrative and support services	2.5%
Agriculture, forestry and fishing	10.9%
Arts and recreation services	2.5%
Building design services	0.0%
Construction	0.5%
Education and training	6.9%
Electricity, gas, water and waste services	0.0%
Legal or dispute resolution services	2.5%
Health care and social assistance	4.0%
Information media and telecommunications	4.5%
Manufacturing	26.7%
Mining	7.4%
Professional, scientific and technical services	7.4%
Public administration and safety	0.0%
Rental, hiring and real estate services	1.0%
Retail trade	6.9%
Transport, postal and warehousing	4.5%
Wholesale trade	7.9%

Number of Employees	Response
1 to 4	25.4%
5 to 19	32.8%
20 to 199	32.8%
200 or more	9.0%

Annual Turnover	Response
Less than \$2 million	39.5%
More than \$2 million but less than \$10 million	31.3%
More than \$10 million but less than \$100 million	20.5%
More than \$100 million	8.7%

APPENDIX 2 – 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).

Table 2.1. Case Descriptions

CASE NO.	INDUSTRY	SIZE	STATE
1	Mining technology	Medium	Western Australia
2	Consulting in procurement and risk	Small	Western Australia
3	Consulting in political, and economic, and financial analysis, and financial education	Medium	Northern Territory
4	Consulting in international trade Book importing	Small	Western Australia
5	Wholesale carpet supplies	Small	Western Australia
6	Female fashion imports	Medium	Western Australia
7	Consulting in mining	Small	Western Australia
8	Manufacturing	Small	Western Australia
9	Electrical engineering, Manufacturing of steel light poles, sporting equipment and electrical transformers.	Small	Western Australia
10	International trade logistics services	Small	Western Australia
11	Manufacturing of dome shelters	Medium	Western Australia
12	Maritime industry services	Medium	Victoria
13	Producer and grower of organic dried fruit	Medium	Victoria
14	Commercial fishing Agriculture, forestry and fishing	Medium	Western Australia
15	Radar performance analysis services and product solutions in the aviation market Professional, scientific and technical services	Small	Australian Capital Territory

16	Food and beverage Manufacturing	Medium	Victoria
17	Skin care based on extra virgin olive oil Health care	Small	New South Wales
18	Processor of wool Manufacturing	Medium	New South Wales
19	Processor of high quality leather Manufacturing	Medium	Queensland
20	Consultant Agriculture, forestry and fishing	Small	Tasmania
21	Provider of training and advice in international trade Education	Small	New South Wales
22	Processor of woodchips for the paper industry Manufacturing	Small	Victoria
23	Provider of custom-made sporting clothing Manufacturing	Small	Australian Capital Territory
24	Distributor of Australian-made goods Wholesale	Small	Victoria
25	Provider of gutter products, wholesale	Small	South Australia
26	Software development Information media and telecommunications	Medium	Western Australia
27	Manufacturer of equipment for the food and beverage sector	Medium	NSW

About the Australian Chamber

The Australian Chamber of Commerce and Industry speaks on behalf of Australian business at home and abroad.

Our membership comprises all state and territory chambers of commerce and dozens of national industry associations. Individual businesses also get involved through our Business Leaders Council.

We represent more than 300,000 businesses of all sizes, across all industries and all parts of the country, making us Australia's most representative business organisation.

The Australian Chamber strives to make Australia a great place to do business in order to improve everyone's standard of living.

We seek to create an environment in which businesspeople, employees and independent contractors can achieve their potential as part of a dynamic private sector. We encourage entrepreneurship and innovation to achieve prosperity, economic growth and jobs.

We focus on issues that impact on business, including economics, trade, workplace relations, work health and safety, and employment, education and training.

We advocate for Australian business in public debate and to policy decision-makers, including ministers, shadow ministers, other members of parliament, ministerial policy advisors, public servants, regulators and other national agencies. We also represent Australian business in international forums.

We represent the broad interests of the private sector rather than individual clients or a narrow sectional interest.

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AGGREGATES AUSTRALIA **CONSULT AUSTRALIA** CUSTOMER OWNED BANKING ASSOCIATION **CRUISE LINES**
INTERNATIONAL ASSOCIATION DIRECT SELLING ASSOCIATION OF AUSTRALIA **EXHIBITION AND EVENT**
ASSOCIATION OF AUSTRALASIA FITNESS AUSTRALIA **HOUSING INDUSTRY ASSOCIATION** HIRE AND RENTAL
INDUSTRY ASSOCIATION **LARGE FORMAT RETAIL ASSOCIATION** LIVE PERFORMANCE AUSTRALIA **MASTER**
BUILDERS AUSTRALIA MASTER PLUMBERS' & MECHANICAL SERVICES ASSOCIATION OF AUSTRALIA **MEDICAL**
TECHNOLOGY ASSOCIATION OF AUSTRALIA NATIONAL DISABILITY SERVICES **NATIONAL ELECTRICAL &**
COMMUNICATIONS ASSOCIATION NATIONAL EMPLOYMENT SERVICES ASSOCIATION **NATIONAL FIRE**
INDUSTRY ASSOCIATION NATIONAL RETAIL ASSOCIATION **NATIONAL ROAD AND MOTORISTS' ASSOCIATION**
NSW TAXI COUNCIL NATIONAL ONLINE RETAIL ASSOCIATION **OIL INDUSTRY INDUSTRIAL ASSOCIATION**
OUTDOOR MEDIA ASSOCIATION **PHARMACY GUILD OF AUSTRALIA** PHONOGRAPHIC PERFORMANCE COMPANY
OF AUSTRALIA **PLASTICS & CHEMICALS INDUSTRIES ASSOCIATION** PRINTING INDUSTRIES ASSOCIATION OF
AUSTRALIA **RECRUITMENT & CONSULTING SERVICES ASSOCIATION OF AUSTRALIA AND NEW ZEALAND**
RESTAURANT & CATERING AUSTRALIA **SCREEN PRODUCERS AUSTRALIA** THE TAX INSTITUTE **THINK BRICK**
AUSTRALIA VICTORIAN AUTOMOBILE CHAMBER OF COMMERCE