



Submission to Simplified Trade System (STS) Consultation Paper

The Export Council of Australia

ABOUT THE EXPORT COUNCIL OF AUSTRALIA

The ECA is a not-for-profit, member-driven organisation. Its purpose is to support Australian entrepreneurs and firms in undertaking international business.

What does the ECA do?

The ECA supports its members through various efforts, including:

1. Providing updated information – Members are alerted to news and reports, including on government policies and regulations, as well as market conditions.
2. On-going capacity building – Exporters and importers benefit from tailored training to build on their knowledge and skills, as global rules and practices change, trade patterns shift, and technologies develop.
3. Advisory services – Exporters and importers can get immediate insight on pressing challenges and questions, such as on licensing, clearances, access to finance and trade agreements.
4. Creating ecosystems – Facilitating crucial business relationships help exporters and importers progress opportunities, including with sourcing materials and new ideas, getting things stored and delivered, and channelling financial transactions.
5. Advocating on behalf of members – Members' views and concerns are articulated to government partners. Effective and sustainable solutions are best reached through collaboration with governments and other stakeholders.

Who are ECA's members?

The ECA's membership covers a wide range of industries and sectors. Its members are individuals, small, medium, and large enterprises.

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Submission to Simplified Trade System (STS)

Consultation Paper

The Export Council of Australia is the peak industry body representing Australian exporters and importers engaged in international trade. We engage with a diverse range of businesses, from micro to large enterprises along a range of industries.

The Export Council of Australia (ECA) welcomes the opportunity to make a submission to the Simplified Trade System (STS) Consultation Paper. The ECA strongly believes that a simplified, paperless, and truly digital trade system would increase trade and stimulate the economy.

Our responses to the present submission are based on our views, reflecting the insights and input of hundreds of exporters and importers we support and collaborate with on a daily basis.

General

- **What are the major pain points for your business to get your product to, from and across the border?**

While the ECA does not engage in export/import per se, our members do.

A key pain point across the board for exporters and importers no matter their size or industry, is that currently the same information for an export or an import transaction is requested repeatedly. There is duplication of the nature of information and documents requested by different government agencies that interact in the supply chain. This issue is also present with others who are part of the trade supply chain (stevedores, freight forwarders, shipping lines, etc). This duplication makes an already complex process even more cumbersome and creates delays that impact exporter's ability to fulfill orders and contracts accordingly.

- **Where and how do you believe the cross-border trade system can be simplified?**

Cross-border trade can be simplified by integrating all the different processes and steps into a whole of government system, so that 'the tell us once' motto can be materialised.

In a well-integrated and simplified system, an exporter^a will be able to book a vessel container, transport, permits, authorities for export and do trade paperwork from the same platform following streamlined processes, and each transaction will feed into a central system which will have oversight and management of that data. Currently, there are different systems that co-exist and don't talk to each other creating unnecessary delays, frustration and missed business opportunities.

^a This can be managed directly by the exporter/importer or using the help of freight forwarders or relevant others to whom these processes and activities can be outsourced to.

In a simplified and integrated system, information and data will be digitalised and accessible by key actors along the supply chain, who can access the information in a secure way and keeping its integrity.

In designing a simplified trade system, we need to take into consideration that many exporters and importers outsource key processes of the supply chain to freight forwarders. Freight forwarders have the knowledge to fast track the process and ability to manage and sort parts of the supply chain that exporters/importers do not have time to do. If the aim is that exporters/importers do the process themselves, the system will need to be simpler, intuitive, and connected across key parts of the supply chain.

The ultimate goal will be to have a robust, integrated, and simple system which will allow its integration into a more sophisticated single window system, that will allow to connect a domestic trade system with international trade systems.

1. Reviewing red tape

- **Which government processes or regulations could be improved (made simpler, more integrated, or less duplicative)?**

Australian exporters, especially SMEs, continue to face a heavy administrative burden and increasing costs in support services, especially costs in moving goods through the supply chain.

All government-controlled process that apply to exports/imports needs to be managed by the STS, including but not limited to DAWE processes, TGA processes, etc. Establishing one portal for all that information would reduce the number of resources and time exporters and importers spend seeking information.

- **Which government requirements take the most time to meet and what impact does that have on your business?**

For exporters and importers using e-commerce channels simplification is urgently needed. In the Asia-Pacific region, e-commerce (especially B2B) is expected to reach US\$1.3 trillion by 2023¹.

In addition, around 57 per cent of online shoppers are now purchasing beyond their borders. If Australia's internal trade processes and costs continue to lag behind competitor countries, Australian SME exporters and importers will find it difficult to capitalise on this (e-commerce) opportunity.

- **If available, please provide data on the time taken to complete these processes/regulations, and/or the costs to your business.**

Before an Australian exporter could even think of shipping its product abroad, or to import inputs for manufacture, it needs to deal with multiple agencies to secure the necessary clearances.

The paperwork involved is neither small nor straightforward. According to the World Bank, it takes Australian exporters 7 hours to satisfy documentary requirements, compared to the OECD average of just over 2 hours. In terms of costs for such compliance, Australian exporters have to pay \$264, while the OECD average cost is just \$33. Consequently, Australia ranks poorly at 106th in the World Bank's Trading Across Border index².

For certain goods, such as fruits and vegetables, exporters can face up to 12 audits per year from the Department of Agriculture, Water and Environment (DAWE), as well as other regulatory bodies.

These regular audits are important in maintaining registration as a food exporter. The individual audits cover the same ground and could therefore be rationalised and reduced in frequency, including through an adoption of a risk-based approach by the Department of Agriculture and more reliance on industry audits. While charges for individual audits are not excessive, the time spent for preparations and disruption of core business become burdensome, especially for smaller exporters.

2. Digital transformation

- **Which part/s of your trade processes are still using paper and/or scanned documents and attachments to emails?**

Many SMEs exporters still use digital systems that are basic and mainstream such as Microsoft Word or Excel and scan documents and attachments to emails. Generally, more sophisticated software packages are costly and SME exporters don't have the resources to afford the costs of these software or the resources and capabilities to utilise them within their workforce.

As there are different levels of digital and technological literacy and resources that are utilised across exporters, a mapping of the current systems and processes can help map potential synergies and connecting points for a future simplified and integrated system.

- **What technology changes have you incorporated or seen as a result of the COVID-19 pandemic that you would like to continue?**

The Covid-19 pandemic has worked as a catalyst for urgent change as businesses had to reconfigure the way they operate to be able to continue trading while trade restrictions and supply chains disruptions are still in place.

The comfort previously provided by holding a paper-based document has become a hindrance, forcing businesses, Governments, and trade related agencies to take action. At the ECA we worked with several exporters and importers who have pivoted their operations and shifted to a digitised system, to be able to continue their operations. Digitisation and digitalisation have become key in business strategy particularly for exporters who had to pivot to new markets and had to learn to operate in new ways in the context of the COVID-19 pandemic.

Digitisation & digitalisation

Given the potential of Blockchain as a key tool for digitalisation, businesses, industry associations, software developers, academics, governments, and intergovernmental organisations must work hand-in-hand to assess the practical and legal implications of the technology and to develop collective solutions to existing challenges. This is particularly true when it comes to international trade.

Blockchain could make international trade smarter, but smart trade requires smart standardisation – and smart standardisation can only happen through cooperation³. If we succeed in creating an ecosystem conducive to the wider development of Blockchain, international trade could well look radically different in a decade time.

Standardisation will require agreement across sectors and agencies on the input of information, harmonisation of standards and legal and regulatory adjustments at the national level.

From finance, including trade finance, to customs and certification processes, transportation and logistics, insurance, distribution, intellectual property (IP) and government procurement, possible applications of Blockchain encompass a diverse set of areas related to international trade.

In using this blockchain-based, decentralised approach, transactions can become more cost effective and offers scalability without the need for expensive data exchange infrastructure, lowering barriers to the adoption of paperless cross-border trade.

While the technology opens interesting opportunities to enhance the efficiency of several processes and cut costs in these areas, it is not a solution that will fit all businesses involved in trade.

Australia has already a range of businesses across industries who are using Blockchain based solutions to monitor their supply chain and facilitate digital trade. Those businesses should be consulted and integrated in the discussion, to assess and determine best practice and learn from their practical experience.

While Blockchain can open doors, if used as a mainstream system it will require in-depth risk management and governance protocols, to ensure the interoperability of the system, but also to give access to SME businesses who might not have the resources or capabilities yet to understand and leverage on this technology. A thorough education and upskilling process will be required to level access to digital technologies for SME importers and exporters.

- **What changes would you like to see to government systems and what impact could this have on your business?**

Paperless trade will have to be bound within a ‘paperless trade ecosystem’ with the legal/regulatory and technical frameworks in which paperless trade transactions can take place (e.g., digital customs systems, electronic single window facility, e-port management systems).

A paperless trade ecosystem would boost certainty for consumers, guaranteeing the quality, provenance, and ethical standards of the goods they buy. It would provide greater certainty for importers and exporters, by guaranteeing processes, standards, and supply chain reliability.

With the right regulatory and legal environment and enhanced provision of information, especially for the nearly 50,000 small and medium sized (SME) exporters,⁴ Australian exports can make an even greater contribution to Australia's economic performance.

- **What aspects of a 'tell us once' digital service would have the biggest impact on your business and why?**

Currently importers and exporters must deal with multiple regulatory authorities when importing or exporting goods. Remarkably, trade-related regulatory requirements are administered and enforced by more than 30 agencies at the federal level in Australia, as well as some at the state and territory level. So far there is very little administrative coordination among the various agencies and the linkages between them have not been automated.

A 'tell us once' digital service will be a key development in the way Australian businesses involved in trade operate, with flow on effects into the supply chain. Trading information would need to be provided to government only once, and regulatory agencies would receive and respond to user requirements through the interface. Efficiency gains would be realised through a substantial reduction in compliance costs incurred by businesses importing and exporting goods, with savings ultimately flowing through to the consumer.

While some international studies estimate up to 50 per cent savings in compliance costs with a tell us once/single window system⁵, potential savings for Australian traders are yet unknown as the design of the Australian model is yet to be determined.

At the international level, the concept has most recently been driven by the WTO's Trade Facilitation Agreement⁶, which came into force in February 2017. Article 10(4) of the agreement advocates the establishment of national single windows to enable traders to submit data requirements through a single-entry point to regulating authorities.

A 2018 Australian industry-funded study⁷ found that, while implementation of a trade single window may be the ultimate goal, Australia needs to first establish the groundwork for such a system by seeking to improve coordination and cooperation among agencies. While everyone agrees that such coordination is critical, there is no agreement on 'how' this should be achieved. The problem is nested in the patchy mentality of regulatory agencies —everyone agrees that coordination is essential, but nobody actually wants to be coordinated- as they don't know 'how' that will look like and the impact to their agencies and processes.

Designing and establishing a comprehensive and encompassing STS that tailors to the needs of ALL exporters and importers. The system can be designed according to the needs and wants of key industry sectors according to the domestic market needs, with the capacity to scale up and integrate in the international context of simplified trade.

3. Data

- **How can the government make information requirements clearer or less duplicative?**

Government can make information requirements clearer and simpler by designing an integrated system where systems and agencies talk to each other, and the data collected and stored in the process is well protected and managed. In using a simplified trade system that leverages on digital technology, one key risk is the use or misuse of data provided by different participant in the trade ecosystem. This is a key concern for exporters/importers and how this is managed, and the assurance given to business can be critical in the willingness to adopt the simplified trade system

While data sharing is central for the functioning of a digital and paperless trade system, cybersecurity and governance will be key to ensure the safety and reliability of the data sharing and storing systems.

For strategic and privacy reasons, exporters and importers might feel reluctant to share key data points into a digital system they might not have oversight or control over. This can lead to mistrust and reluctance of businesses to take part in the digital trade ecosystem.

To build trust (whether a Blockchain based system or other DTL is used) the system will need to address cybersecurity issues, encompass security architecture, cybersecurity governance, privacy, vulnerability scanning, and the continuity of the system.

Clear governance of data sharing across government agencies should be established and available for businesses to review and understand. Clear protocols, a proper regulatory environment with checks and balances will also need to be implemented, together with responsible agencies who are to have oversight over the data protection.

This will require a concerted effort at the National level and an in-depth mapping of government agencies and others who might have access and ownership of the shared data points.

4. Federal, state and territory governments

- **What is currently working well in interactions across government jurisdictions that could be expanded or replicated?**

Domestically, there are a range of agencies that participate in the trade supply chain and all trade participants—exporters, government agencies, banks, forwarders, logistics, etc.— will need to be part of the simplified trade system to guarantee its success. Also, there is the need to integrate and incorporate all the existing programs and systems that States, and territories have implemented or are planning to implement (e.g., Brisbane Port Trade Community System, which is already in operation; NSW Freight Community System which is currently being scoped; the National Freight Data Hub where a prototype is being trialled; and the NSW Freight and Logistic Hub which is currently being discussed).

Extensive cooperation and coordination between public and private sectors will be needed. Importantly, alignment across Government agencies at the Federal, State and Territories level will be critical to secure the stability and reliability of a simplified trade system that impacts businesses across Australia.

This will also require the Federal Government to review and adapt legal and regulatory frameworks to clarify the recognition and acceptance of electronic documents including those held in blockchains as legal equivalents to paper-based sources. Legal and regulatory changes will need to be enforceable and applicable across States and Territories and their respective agencies.

A clear agenda of legislative and regulatory reform will need to be mapped and consultations with industry and businesses will be vital to tailor the legislation to the needs and requirements of Australian businesses and the trade community.

At the same time, legal and regulatory frameworks will need to be reviewed to align with international standards, for Australia to be part of the broader international digital trade system.

In an increasingly global world, engaging internationally to influence the development of international rules and standards for digital technologies will ensure Australian businesses, workers and consumers have a competitive edge. Promoting Australia as a safe and stable place to do business will encourage investment and further digital trade agreements will open opportunities for Australian businesses⁸.

In the Asia-Pacific region, Australia has negotiated high quality rules to support digital trade through the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, Regional Comprehensive Economic Partnership and through bilateral free trade agreements.

Australia must continue to engage at the bilateral and multilateral level to lead and influence the setting of norms, standards, and regulations for digital technologies. Without harmonised international standards Australian businesses may face higher costs of doing business if they need to comply with different standards for different markets.

5. Measuring performance

- **Can you provide examples of metrics measuring cross-border trade?**

As mentioned earlier, while some international studies estimate up to 50 per cent savings in compliance costs with a tell us once/single window system⁹, potential savings for Australian traders are yet unknown as the design of the Australian model is yet to be determined.

While the benefits of a simplified trade system are clear, the associated costs should also be factored in. This approach will allow to measure performance based on key metrics that reflect the experience of businesses accessing and using a simplified trade system. Strategies for paperless and digitised trade should consider not only the costs of such a transition but also how the costs are to be shared among the parties in the supply chain. The major costs of the implementation are likely to be borne by traders. Two key issues should be considered:

1. Companies will only adopt it if they see a clear net benefit. Companies must identify the benefits to ensure that these outweigh the initial investment costs and fees for participating in a simplified trade system. Given the low volume of their operations, there might be no net advantages to moving away from their existing systems for shipments and documentation.

If, however, Governments do see a net benefit, they could support small business by rewarding those who submit documents in electronic format, since it also helps to increase the efficiency of government processes. Companies and government organizations pioneering in paperless trade can play an important role in encouraging SMEs to use e-documents. Upskilling of SMEs and support for digitisation and digitalization will be critical for a simplified trade system to be implemented and followed.

2. A simplified trade system has characteristics of a public good; and its introduction is likely to imply both external costs and benefits. Traders constitute the supply side for electronic documents, as they are the source of most of the documents used in international trade. As a result, they must bear a large share of the implementation costs.

These costs include the initial implementation costs, maintenance, and promotional activities. On the other hand, we see numerous benefits accruing to the administrations and business partners who receive the electronic documents. These benefits can include fast information exchange, efficient data entry and processing, and increased security and compliance. But as long as the companies issuing the documents cannot partake of the benefits, it is unlikely that they will be keen to make the investment. Market mechanisms alone, therefore, may not be enough to see paperless trade being conducted on a global scale. The key stakeholders and beneficiaries must be prepared to contribute to initiating, sustaining, and managing the transition.

6. Innovation in the future trade system

- **What innovations have you used or seen elsewhere – including those introduced in response to the COVID-19 pandemic - that would be valuable to continue?**

Digitisation and digitalisation has been the most impactful innovation in trade we have observed for both exporters and importers. This new way of working and engaging in international trade is here to stay and exporters and importers have shown willingness to use more streamlined and technology based processes that have proven efficient and effective for them to continue carrying on with business despite the many challenges and disruptions since the start of the COVID-19 pandemic. Their willingness is dependent on the associated costs of implementing a new system.

Other innovations that Australian businesses have introduced (together with Blockchain and other distributed ledger technologies mentioned earlier) are the use of QR codes and bar codes as mainstream measures to track and trace products along the supply chain. Many exporters/importers also have integrated the use of apps where consumers and those involved in the supply chain can track and trace goods and products.

Another innovation is the use of online inspections, which bypasses the need for the physical presence of people, and can be conducted in a cost effective and streamlined manner.

Other potential innovations to support exporters and importers in the context of the implementation of a simplified trade system will be to make a hotline for urgent inquiries related to trade accessible and a chat box where simple questions can be answered, and more complex queries can be redirected to the relevant authorities.

Concluding remarks

We commend Australia's Federal Government initiative in reviewing Australia's end-to-end trade environment to see how it can simplify regulations, systems, and processes for both importers and exporters. This materialises an initiative that we at the ECA have advocated for and worked towards for many years.

Timing is of the essence, as comparative examples, good practices and empirical examples we can learn from and model on abound. Australia needs to take a lead on a simplified trade system that firstly integrates the domestic trade context to quickly integrate with international trade partners who are also embracing the pathway to digitalisation. The Australian government needs to support SMEs to upskill and digitise their internal processes and gain understanding of the importance of a simplified trade system which will impact their operations and ultimately, their bottom line.

With more overseas opportunities than ever before, the challenge for Australia is to maximise the benefits of international trade and investment. To meet this challenge, Australia needs more trade and investment-capable companies to engage with these opportunities and trade modernisation and simplification is going to be a critical component to facilitating trade growth in Australia, particularly for SMEs. Maximising the benefits of international trade and investment is the shared responsibility of all levels of government, industry, the businesses directly involved in import and export, and the businesses that support them. Building this "trade ecosystem" that includes trade modernisation requires commitment and dedication from all parties.

The opportunities are before us. However, we must take appropriate and decisive action. If business and government can work in a concerted and strategic manner - as we have recently seen in some aspects of response to Covid-19- then Australia will pave a way towards the establishment of an efficient and encompassing STS that could enhance Australian businesses competitiveness in the 'new normal' of international trade.

¹ Keenan, Michael, 'Global Ecommerce Explained: Stats and Trends to Watch in 2021' (May 13, 2021)

<https://www.shopify.com.au/enterprise/global-ecommerce-statistics>

² The World Bank, 'Doing Business Index' <https://www.doingbusiness.org/en/data/exploreconomies/australia>

³ Ibid 9.

⁴ Australian Bureau of Statistics (ABS) (2020) Characteristics of Australian Exporters

<https://www.abs.gov.au/statistics/economy/international-trade/characteristics-australian-exporters/latest-release>

⁵ UNECE, United Nations Economic Commission for Europe,

https://unece.org/fileadmin/DAM/cefact/single_window/sw_cases/sweden.htm

⁶ WTO, Agreement on Trade Facilitation (2017), https://www.wto.org/english/docs_e/legal_e/tfa-nov14_e.htm#art10

⁷ Charles Sturt University, Centre for Customs and Excise Studies, 'Review of Australia's Progress Towards Implementation of the Single Window Concept' (2018), <http://www.aittidf.org.au/wp-content/uploads/2018/05/Single-Window-Final-Report.pdf>

⁸ Commonwealth of Australia, Department of the Prime Minister and Cabinet (2021) 'Digital Economy Strategy 2030'

<https://digitaleconomy.pmc.gov.au/sites/default/files/2021-07/digital-economy-strategy.pdf>

⁹ UNECE, United Nations Economic Commission for Europe,

https://unece.org/fileadmin/DAM/cefact/single_window/sw_cases/sweden.htm