



Submission to the Joint Standing Committee on Foreign Affairs, Defence and Trade (JSCFADT) Inquiry into the Implications of the COVID-19

The Export Council of Australia

Introduction to the Export Council of Australia (ECA)

The ECA is the leading industry body focused on Australia's international businesses, particularly Small to Medium enterprises (SMEs). The ECA represents companies of all sizes and across a wide range of industries. Our core activities include advocacy, research, skills development and events.

Our advocacy program aims to make it simpler and less expensive for Australian businesses to internationalise. To pursue this aim we make submissions to relevant Parliamentary Inquiries and craft trade policy recommendations. Our recommendations and submissions can be found at <https://www.export.org.au/trade-policy/trade-policy-recommendations>

We closely collaborate with a number of government agencies—Commonwealth, State and Territory—to advocate for our members and support SMEs. We sit on several Australian Government consultative committees and working groups, including the National Committee for Trade Facilitation.

The COVID-19 crisis has led the ECA to embrace a multilayer strategy aimed at building capacities for response, resilience and recovery particularly geared to provide support to SME exporters and the broader trade community. The ECA has engaged in activities such as:

- Increase in advocacy work
- Participation in weekly committees and extraordinary session with Government bodies to discuss issues faced by Australian exporters due to COVID-19
- Extensive participation in webinars voicing the concerns and challenges faced by our members and the broader trade community
- Launch of the 'Global Podcast' with a novel 'COVID-19 Podcast series' to provide up to date support and relevant information for businesses involved in trade
- Dedicated web page and resources in the ECA website to support members and exporters navigate the challenges while the crisis unfolded

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Submission to the Joint Standing Committee on Foreign Affairs, Defence and Trade (JSCFADT) Inquiry into the Implications of the COVID-19

The Export Council of Australia (ECA) welcomes the opportunity to make a submission to the Joint Standing Committee on Foreign Affairs, Defence and Trade's Inquiry into the Implications of the COVID-19.

The submission is structured as follows: Section 1 will briefly refer to the international context and the impact of COVID-19 in international trade, followed by the impacts to Australian trade and insights gathered by the ECA highlighting the key challenges that Australian small and medium enterprises (SMEs) exporters have faced. Section 2 will refer to specific terms of reference the ECA has addressed related to: 2.1. supply chain disruptions; 2.2 policy and practical measures to ensure resilience for Australia's economic recovery, and 2.3 referring to other matters related to international trade and the need of of multi-layered approach. Concluding remarks are included in Section 3.

1. Background

1.1 International trade and the COVID-19 crisis

The COVID-19 pandemic is inflicting high and rising human costs worldwide, with over 10 million people infected by the virus and over 501,000 deaths, we at the ECA are profoundly saddened by the loss of life that has occurred around the world.¹

This health crisis has quickly evolved to become an economic crisis, with millions of people around the globe losing their jobs and income. Concerning projections have emerged from leading international bodies such as the International Monetary Fund (IMF) and the World Trade Organisation (WTO). The IMF June 2020 World Economic Outlook² has projected that the global economy will contract -4.9% in 2020 (which is 1.9% below the projection provided in April³) and the WTO estimates that international trade will fall sharply in 2020. In an 'optimistic' scenario, WTO economists predict the volume of global merchandise trade will fall by a staggering 13% compared to 2019.⁴

These trade projections come against the backdrop of existing global trade tensions, volatility in commodity prices and an already contracting international trade sector. Measures such as border closures, disruption of global supply chains, reduction of international migration are widespread. In addition, the creation of new barriers to trade and export bans have made international cooperation and trade increasingly difficult.

¹ John Hopkins University 2020, COVID 19 Dashboard, <https://coronavirus.jhu.edu/map.html>

² International Monetary Fund (IMF) 2020, 'World Economic Outlook, June 2020: A crisis Like No Other, An Uncertain Recovery' <https://www.imf.org/en/Publications/WEO/Issues/2020/06/24/WEOUpdateJune2020>

³ International Monetary Fund (IMF) 2020, 'World Economic Outlook, April 2020: The Great Lockdown' <https://www.imf.org/en/Publications/WEO/Issues/2020/04/14/weo-april-2020>

⁴ World Trade Organisation (WTO) 2020, 'Trade set to plunge as COVID-19 pandemic upends global economy' https://www.wto.org/english/news_e/pres20_e/pr855_e.htm

The imposition of restrictions to trade and freedom of movements among other measures - though necessary to respond to the current crisis - show a shift towards protectionism which in the long run do not benefit global trade. Simultaneously, Governments across the world have implemented quick, large and innovative support measures to contain the economic impact of the crisis, subsidising firms and workers.

According to the International Trade Centre (ITC), despite extensive efforts by governments, the COVID-19 pandemic has led to⁵:

- Drastic changes in demand and supply of goods and services
- Drastic changes in production
- Disruptions in trade linkages
- Disruptions in tourism and travel

Across all industry sectors businesses have felt the impact of COVID-19. Unsurprisingly the pandemic had a particularly pervasive impact on Micro, Small and Medium Enterprises (MSMEs), which represent 95% of companies across the world, accounting for 60% of the world's total employment and a key engine for preserving jobs and productivity.⁶

A large number of MSMEs depend on international trade. As they export their products through direct or indirect channels, or because they rely on imported inputs to manufacture the products they sell domestically. MSMEs are key drivers of innovation and major employers of young people and women.

MSMEs are particularly exposed to the COVID-19 pandemic's economic impact due to their liability of smallness which is represented by limited financial resources and borrowing capacity. Additionally, they are further weakened by their disproportionate presence in economic sectors affected by social distancing measures and transport disruptions. MSMEs are also particularly exposed to trade restrictions on agricultural products.

1.2 The Australian context and impact of COVID-19 on trade and Australian exporters

Health outcomes have been critical to Australia's stronger than expected economic performance strengthened by fiscal and monetary policies provided by the government which have positioned Australia as a standout performer as the only advanced economy to have its economic outlook upgraded by the IMF.⁷ Yet the road to recovery still holds some uncertainties as Australia enters a recession for the first time in nearly three decades.

⁵ International Trade Centre (ITC), 2020 'Recovery and Resilience: Delivering trade impact during the COVID-19 Crisis' <http://www.intracen.org/uploadedFiles/Recovery.pdf>

⁶ WTO 2020, 'Helping MSMEs navigate the COVID-19 Crisis' https://www.wto.org/english/tratop_e/covid19_e/msmes_report_e.pdf

⁷ International Monetary Fund (IMF) 2020, 'World Economic Outlook, June 2020: A crisis Like No Other, An Uncertain Recovery' <https://www.imf.org/en/Publications/WEO/Issues/2020/06/24/WEOUpdateJune2020>

As an open trading nation, Australia is more exposed than most to the global economic downturn sparked by this pandemic. Trade represents nearly 21% of Australia's GDP, which means that around a fifth of all goods and services (by value) produced in Australia are traded internationally.⁸

According to the latest statistics from the Australian Bureau of Statistics (ABS), the value of Australian exports declined by 4% between April and May 2020, following the much larger fall in the previous month (-12%). Year on year, exports declined in May 2020 by 13% compared to May 2019, which breaks the upward trend since 2016.⁹

With trade creating 1 in 5 jobs and foreign investment 1 in 10, supporting an open multilateral trading system remains in Australia's national interest and is critical to the recovery of our open and trading-based economy.¹⁰

Due to the necessity to protect Australian exports, we have seen the Government at Federal and State levels take decisive action to protect Australians and the economy. The Federal Government economic support package of \$259 billion represents fiscal and balance sheet support, injecting the equivalent to around 6.9% of the GDP¹¹ to rescue the economy and allow business continuity.

We applaud key trade-focused initiatives like the International Freight Assistance Mechanism (IFAM), the increased funding in the Export Market Development Grants (EMDG) and the more recent initiative by Export Finance Australia (Export Capital Facility) which are all critical to provide a lifeline to cash strapped businesses – many of them SMEs – to be able to remain afloat through this crisis.

Critical is to consider that SMEs play a significant role in Australia's economy, providing 5.6 million jobs and 32% of the 17.6 million jobs held in Australia in the combined private and public sectors.¹² Since 2012, small businesses have accounted for 57% of jobs growth.

In line with the ECA's Trade policy recommendations of 2018, our research found that SME's play a strong role in developing Australia's export intensity. In Australia, SME's account for approximately

⁸ Australian Parliament, 'House Australia's trade in figures' https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/BriefingBook45p/AustraliaTrade

⁹ ABS 2020, International Merchandise Trade, Preliminary, Australia, May 2020, <https://www.abs.gov.au/ausstats/abs@.nsf/mf/5368.0.55.024>

¹⁰ Department of Foreign Affairs and Trade (DFAT) 2018, 'Benefits of trade and investment' <https://www.dfat.gov.au/trade/resources/publications/Pages/benefits-of-trade-and-investment>

¹¹ The Treasury 2020 'Economic Response to the Coronavirus' <https://treasury.gov.au/coronavirus>

¹² Gilfillan, G, 2020. 'Small business sector contribution to the Australian economy' Australian Parliament House, https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/rp/rp1920/SmallBusinessSectorAustralianEconomy

14% of goods exports on a value basis.¹³ By contrast, SME's account for 87% of exporting businesses.¹⁴

The ECA has found that even before the COVID-19 crisis emerged, there was already an existing need for greater formal and informal support offered to SME exporters in addition to the reduction of structural barriers to trade to support SME exporters.¹⁵ Therefore, it is paramount that the government establishes the correct policy settings in their COVID-19 recovery roadmap, to facilitate SMEs continuing participation in international trade.

1.3 ECA's research on the impact of COVID-19 on Australian SME exporters

In response to the COVID-19 crisis, the ECA conducted research and mapped the issues that Australian SME exporters were facing, from late March until early June 2020.¹⁶ In that context, qualitative and quantitative data was gathered and analysed in order to establish the key issues and nature of the challenges that SMEs were facing as the COVID-19 crisis unfolded.

From our 117 survey respondents and over 40 businesses interviewed, 96% of businesses indicated that they had been negatively impacted by COVID-19. Only 4% of exporters indicated that they were able to capitalise in the unintended opportunities that the crisis provided, by pivoting their export offering and adapting to the crisis.

In general, SMEs reported that across multiple sectors and industries the five greatest impacts of COVID-19 were a reduction in revenue (76%), decreased demand for their products and decreased supply of inputs needed (57%), supply chain disruption problems (46%), lockdown restraints that constrained access to foreign markets (38%) and changes in the company's workforce (24%) which led to reducing staff hours, lay off staff and finding a new way to operate remotely.

Our respondents service several regions through trade, all of which have been disrupted to some extent by COVID-19. Our respondents indicated Asia Pacific as their greatest export destination (66%), followed by Europe (31%) and North America (34%).

SME exporters have faced a number of challenges due to the varied international response to COVID-19. Our consultations with members indicated that the top four export challenges identified by our respondents in order of relevance were:

- 1) **Freight & Logistics:** difficulties with availability, cancellation of sea and air freight routes and increased freight costs that further reduce already thin margins. Respondents reported an increase of between 100 up to 200% in freight costs in the heights of the crisis, effectively

¹³ Baker, H., Hudson A., Tipping, D., Marley, P., 2018. Trade Policy Recommendations 5: 2018, ECA, <https://www.export.org.au/publications/trade-policy-recommendations-5-0-2018>

¹⁴ ABS 2019 Characteristic of Australian Exporters <https://www.abs.gov.au/ausstats/abs@.nsf/mf/5368.0.55.006>

¹⁵ Baker, H., Hudson A., Tipping, D., Marley, P., 2018. Trade Policy Recommendations 5: 2018, ECA, <https://www.export.org.au/publications/trade-policy-recommendations-5-0-2018>

¹⁶ Further details of quantitative and qualitative data can be provided confidentially on request

creating a barrier for SME exporters who wanted to keep operating and fulfilling international orders.

- 2) **Supply Chain disruptions:** with problems with sourcing, challenges managing the just-in-time system, cancellation of contracts, constant delays, blank sailings to name some of the issues that SME exporters faced. It is relevant to point out that a core number of SME exporters also import a key number of components from overseas, hence supply chain issues impacted both their exports and imports.
- 3) **Market Access Issues:** inability to access foreign markets, the lockdown of towns, cities and countries due to the spread of COVID-19 and uncertainty around access rules and conditions as the crisis was managed.
- 4) **Export Documentation:** the need to digitise all certificates and the many export-related documents have posed challenges, translating in goods and cargo being held and creating all sorts of issues cross borders which are hard to solve remotely. SME exporters reported problems with acceptance of digital documents by customs offices, issues with labelling and documentation, delays in responses from Government agencies abroad, and inconsistencies in the information provided.

These challenges span across industries and are highly personalised based on the country an SME is exporting to and the type of goods or services they export.

The financial support that the Australian government has provided for businesses has been crucial in ensuring SME exporters can fulfil contracts and continue to operate despite the challenges.

From our respondents, 57% indicated that they had applied for some kind of government funded financial aid, while 43% of respondents have not applied due to eligibility and other issues. SME exporters showed great interest in the International Freight Assistance Mechanism (IFAM)¹⁷ launched on 1st April 2020, though the scope of the program excluded SME exporters who are not in the agricultural or fisheries sectors. The ECA received numerous calls from members and others in the export community to seek support on how to access the IFAM mechanism.

SME exporters also welcomed the increased funding provided by the Federal Government for the Export Market Development Grants (EMDG)¹⁸ scheme administered by Austrade, together with the waiver of the performance requirements for 2020-21. Historically, the EMDG has been critical for SME exporters international marketing activities which is pivotal to gaining access in foreign markets and for their successful internationalisation. The Export Capital Facility¹⁹ led by Export Finance Australia led also to some interest from respondents, yet to a lesser extent as SME exporters were cautious of their ability to manage debt and concerned with their cashflow as the crisis unfolded.

¹⁷ International Freight Assistance Mechanism, Austrade <https://www.austrade.gov.au/news/news/international-freight-assistance-mechanism>

¹⁸ Export Market Development Grants, Austrade <https://www.austrade.gov.au/Australian/Export/Export-Grants>

¹⁹ Export Capital Facility, Export Finance Australia, <https://www.exportfinance.gov.au/media/6820/export-finance-australia-covid-19-facility-factsheet.pdf>

When asked what areas SME exporters want to see more Government support and leadership on, the respondents highlighted three areas: tax reform and implications for the current financial year, expansion of the EMDG scheme and IFAM's scope and scale, and reduction on non-tariff barriers (NTBs) that emerged with digitisation of export documentation.

SME exporters have experienced unprecedented turmoil, disruption and uncertainty in their international operations. Moving forward, SME's will need continued support from the government to recover from the challenges posed by COVID-19.

2. Addressing Specific Terms of Reference

2.1 Supply chain integrity / assurance to critical enablers of Australian security (such as health, economic and transport systems, and defence);

As reported by the WTO (2020)²⁰ world trade fell sharply for the first half of year 2020 as the COVID-19 pandemic upended the global economy. COVID-19 has caused widespread disruptions to air and sea freight, and wreaking havoc on global supply chains across Europe, America and Asia which are critical to the supply of goods.

The fall out of global supply chains has made visible the inherent weaknesses of the system, exposed a lack of resilience and brought into question the fundamentals and the integrity of global supply chains.

For Australia, the impact was felt initially due to slowing demand for Australian exports for goods and services from China which had a strong impact on key trading sectors such as tourism, agriculture, forestry, fisheries and education. However, the subsequent global spread of the virus impacted global markets and supply chains, making the short-term outlook for Australian trade (for exports and imports) somewhat uncertain.

Experts, businesses, government agencies and industry associations all agree that the crisis caused by COVID-19 will have far-reaching and long-lasting effects for Australian trade. Australian industries and governments are still preparing in case more supply chains come under threat in the global economic fallout due to potential second waves of the virus. Key trade expanding initiatives such as the International Freight Assistance Mechanism (IFAM) to assist exporters from specific sectors to re-establish global supply chains and keep goods moving across borders, have been crucial to restore and resume international trade for some sectors.

As we slowly re-emerge and think of the roads towards recovery, there are two critical issues to be considered in relation to supply chain integrity by the Australian government and businesses – particularly SME exporters. These issues are: 2.1.1) rethinking the geographic diversity of supply chains, and 2.1.2) revisiting the 'just in time' approach to sourcing.

²⁰ World Trade Organisation (WTO) 2020, 'Trade set to plunge as COVID-19 pandemic upends global economy' https://www.wto.org/english/news_e/pres20_e/pr855_e.htm

2.1.1. Geographic diversity in supply chains

The current crisis will without doubt lead companies to rethink their global supply chains and seek more geographical diversity and visibility across supply chains. This is not only due to COVID-19 but other factors also such as climate change, geo-politics, and other elements that could lead to a shock to the international supply system.

Already a trend is emerging, Australian companies are reducing suppliers and moving away from locations where the increase in labour and other costs make it less competitive (e.g. China). Businesses have begun to explore other countries mainly in the Asia-Pacific region as potential source for suppliers. Regardless, rebuilding a supply chain is not an easy task and it involves significant costs that many Australian SME exporters are not in a position to undertake.

Meanwhile, as different countries battle the pandemic, global supply chains will continue to be unreliable. This means organisations should start to consider the global versus local mix of their supply chains and look to diversify their access and better understand their risk moving forward.

There is limited understanding of the participation of Australian SMEs in global supply chains (GSC), and their involvement in international linkages. The COVID-19 crisis has highlighted the need to have a clear geographic mapping of GSC to see the linkages and understand where the biggest weaknesses in the system are to better address these issues going forward.

2.1.2. Revisiting the 'just in time' approach to sourcing

Delays, unreliability and shortages of goods and raw materials will undoubtedly lead companies to rethink how much they need to stock in the warehouse moving forwards. Putting things on pallets and having immediate delivery is fantastic, until things stop being delivered and they don't arrive for a week or longer, as was (and still is) the experience of many SME exporters.

As highlighted in the Australian International Business Survey (AIBS) 2019²¹ although exporting goods (59%) and services (51%) was the main type of international business activity for respondent SME exporters, a significant number of respondents were also involved in importing goods into Australia (37%) and to a lesser extent were involved in importing services (13%). These showcases the relevance for SME exporters not only to be able to access foreign markets but also source from them, showing clear reliance on the need of free flow of goods and services to be able to support their international operations.

This crisis has highlighted the exposure many SMEs have when pieces, widgets or components don't arrive due to supply chain disruptions which led to a halt in production and the ripple effects that this entails to business operations. In our discussions with members, many companies have realised that they have become too lean and having a bit of 'fat' might actually be a good idea moving

²¹ Export Council of Australia, Austrade, Commonwealth Bank of Australia (2019) Australian International Business Survey (2019), [https://www.export.org.au/aibs/aibs-2019#:~:text=AIBS%202019-,AIBS%202019,Bank%20of%20Australia%20\(CBA\).](https://www.export.org.au/aibs/aibs-2019#:~:text=AIBS%202019-,AIBS%202019,Bank%20of%20Australia%20(CBA).)

forwards. In practical terms, this means companies may need to keep larger inventories and absorb the associated costs.

One thing is clear: when the crisis eases, countries will want to rebuild with a revitalised interest in self-sufficiency — especially in critical areas such as medical equipment, personal protective equipment (PPE), essential goods and technology — reducing the risk of over reliance on imports and global supply chains in an emergency. The good news is that this could open fresh opportunities for local manufacturers and transport logistics operators to be key partners in the post-pandemic era of trade. Promoting a greater degree of domestic or regional self-sufficiency is another option up for consideration in the ‘new normal’ for international trade.

2.2 What policy and practical measures would be required to form an ongoing effective national framework to ensure the resilience required to underpin Australia’s economic and strategic objectives

At the ECA we believe that it is essential - for policy formulation and to set practical measure that ensure resilience – to first gain an in-depth understanding of the context of SMEs, ‘how’ SME exporters have approached the COVID-19 crisis, and ‘what’ have been the practical impacts they faced. As has been stated before in this submission, international trade accounts for nearly 21% of is the Australian economy and the sector provides employment for 1 in 5 Australians with high employment rates for young people and women. Understanding the SME exporters context and coping mechanisms can provide great insights for policy formulation for our Government at both Federal and State levels.

2.2.1. The context of SME exporters

The context of SME exporters is substantially different to the context of large firms endowed with more resources and capabilities. As an example, SME exporters typically have relatively low cash reserves and thus only a small cushion with which to weather an economic shock. Moreover, SMEs have smaller inventories and supplier networks. Sourcing from new suppliers or absorbing price increases is more challenging for a firm with limited supply options and capital, meaning that supply chain disruptions can impact SMEs faster and harder than large businesses.

Moreover, SMEs have limited internal capabilities and resources with which to navigate the current rapid changes in government policies and to deal with application requirements to access COVID-19 business resources. New trade measures are being taken by governments on a daily basis in response to the crisis. If the different actors engaged in supply chains -particularly SME exporters - are not aware of these new requirements, they will struggle to adapt to the new conditions and unable to continue their operations.

2.2.2. SME exporters approaches to the COVID-19 crisis

As reported by the ITC²² there is consensus that in the early days of the pandemic SMEs across the world responded in similar ways, firstly taking measures to protect the health of their employees and

²² International Trade Centre (ITC), 2020 ‘SME Competitiveness Outlook 2020. COVID-19: The Great Lockdown and its Impact on Small Business’ <http://www.intracen.org/uploadedFiles/intracenorg/Content/Publications/ITCSMECO2020.pdf>

customers, followed by communicating changes in business operations to clients and suppliers. Many SME exporters sought support from intermediary organisations such as industry associations, government agencies and others to be able to navigate the changing business environment and source key information to help them strategise moving forward.

As the crisis unfolded and its impact on trade widened, SME exporters approaches to the crisis varied. From the SME exporting companies interviewed by the ECA, some exhibited retreat, which translated in the need to draw down assets and/ or sell assets to meet financial obligations, some laid off employees or cut working hours which may hurt the long-term strategy of the business yet were necessary measures to deal with limited cashflow and increased pressure. Other SME exporters managed to build a strategy based on resilience, with initiatives such as scaling down, adapting to work remotely, adapting the business to serve a more domestic based market segment and adapting the sales mix towards online channels and exploring new suppliers in the network. Some few medium size exporters (particularly those involved in manufacturing health supplements and personal care products) were agile and able to quickly pivot their operations and create new products such as hand sanitizer and other health products and reallocated their workers in line with the new operating model.

2.2.3. Policy recommendations and practical measures to support SME exporters

The COVID-19 crisis has shown that while some SME exporters have succumbed to the impacts of the crisis, others have managed to adapt to the circumstances and navigate the crisis well. While the dissonant responses can be a function of the resources and capabilities the business possess, the 'new normal' of international trade can be one that emphasises resilience to change and shocks, embraces the potentials of digitalisation and leads to more sustainable growth.

The ECA has compiled some key considerations for policy development and practical measures to support SME exporters' in line with Australia's economic and strategic objectives, as follows:

- **SME digitalisation.** Building SME exporters resilience is paramount to help them face future economic downturns. In particular digitalization can help SMEs overcome damaged supply chains and allow them to access a wider range of international buyers and suppliers.

According to WTO (2016)²³, in average 97% of internet-enabled SMEs participate in trade (exports), in contrast with export participation rates for traditional SMEs which range between 2 to 28% in most countries.

SMEs using digital technologies, such as e-commerce, will also be better suited to adapt to the COVID-19 pandemic and the new world of trade²⁴. Australian exporters servicing markets in Asia Pacific could leverage on the market access that digital and e-commerce platform provided them, in markets where e-commerce is part and parcel of trade.

²³ World Trade Organization (WTO) (2016) *World Trade Report 2016: Levelling the trading field for SMEs*, Geneva: WTO, https://www.wto.org/english/res_e/booksp_e/world_trade_report16_e.pdf

²⁴ Baldwin and Di Mauro (2020), *Economics in the time of COVID-19*, London: Centre for Economic Policy Research, <https://voxeu.org/content/economics-time-covid-19>

At a multilateral level, some few WTO members have introduced measures to incentivise SMEs to adopt information and communication technologies to improve their resilience against economic downturns and help them diversify their value chain partners. Australia can follow suit and implement initiatives for SME exporters to upskill and enable them to access e-commerce and online channels tailored to the markets they intend to access.

- **Development of network of organisations that support SMEs.** To further build SME exporters resilience, additional support can be provided to SME exporters including assistance with access to the means to transport goods, further access to capital and strengthening existing mechanisms to support their international market access. The continuous development and funding of a stronger network of Government led organisations (such as Austrade) and industry associations has proven pivotal in supporting SME exporters navigate the current crisis.

In practical terms, providing additional funding for government led organisations and key industry bodies who can support upskilling SMEs and help their continued engagement in international trade can be critical on the roads towards economic recovery

- **Digitisation of export documentation.** Fast tracking the adoption of electronic communication and verification of trade without the need for physical paperwork through avenues such as the single window is a key measure to be discussed and implemented.

This can also open opportunities for a broader adoption of blockchain technologies that encompasses all of those involved in supply chains including Government, customs brokers and freight forwarders, among others.

- **Australian Free Trade Agreement (FTA) agenda and support for SMEs internationalisation.** The Australian Government should continue to pursue a comprehensive FTA and internationalisation agenda both at a bilateral and regional level.

The entry in force on 5th July of the Indonesia Australia Closer Economic Partnership Agreement, the completion of the terms of the Regional Cooperation and Economic Partnership Agreement and advancing the negotiations of the proposed FTAs with the EU and UK can be key for market access for SME exporters.

Future FTA agreements should also consider the particular needs of SMEs and design for the inclusion of specific chapters, include a broader range of SMEs into the negotiations, make FTAs 'SME friendly' and strengthen the mechanisms for market access and internationalisation in the context of FTAs.

2.3 Any related matters

As the COVID-19 crisis is still unfolding, monetary, fiscal and trade policy choices will continue to play a significant role in determining the pace of recovery. The crisis has brought to the forefront the need for additional investment and closer collaboration by the public and private sectors in international, regional and domestic forums. Further, the Government has established mechanisms created to support industry and trade during the COVID-19 crisis, which have prompted the

resumption and continuity of international trade. One key beneficiary of these support mechanisms has been SME exporters.

Considering the benefits provided to Australian SME exporters and other stakeholders, these mechanisms should be adjusted for long term and used alongside existing frameworks to facilitate trade. The strong spirit of collaboration that has emerged at a macro (Government), meso (industry associations) and micro (businesses and the private sector) levels should be key for continuous collaboration and engagement in the roads towards economic recovery.

A multi-level approach (macro, meso and micro level) to support recovery post COVID-19, should include initiatives such as the ones listed below:

Macro (Government level)

- 1) Continue to advocate for free trade and liberalisation limiting protectionist measures
- 2) Expand and facilitate access to trade finance for SMEs, including those run by women or young entrepreneurs.
- 3) Facilitate cross-border trade in goods and services and endeavour to streamline the movement of essential products by facilitating digitalisation in collaboration with the actors in the meso and micro level.
- 5) Prepare to operate in a new global economy that is more digital and geared towards resilience and sustainability.

Meso (business support organisations and industry associations)

- 1) Remain as key channels of trusted information and support the deployment of solutions for SME exporters.
- 2) Continue to coordinate collective actions by SMEs to build resilience, scale, efficiency and upskilling.
- 3) Use digital platforms to enhance the competitiveness and agility of your MSMEs to gain customers and market access.
- 4) Continue the close collaboration with Government in policy discussion and formulation that is inclusive of SMEs interests and needs.

Micro (private sector, businesses and SMEs)

- 1) Adapt business processes and activities by applying common-sense precautions and restructuring operations to ensure business continuity during the lockdown.
- 2) Optimise cashflow management, identify efficiency gains and inventory needs.
- 3) Foster relationships by improving communications with partners and employees and continue involvement and collaboration with organisations at the meso and macro level.
- 4) Build business models that foster resilience and sustainability and embrace the need to ride the digital wave.
- 5) Exporters, importers and those in the Australian private supply chain should review their own supply chain and the risks of undue focus on limited sources of supply of raw materials, goods or services. SME exporters should look into securing more reliable providers of supply chain services.

3. Concluding remarks

The world is facing today not only the COVID-19 pandemic, but also unseen disruptions on the technological, environmental, trade and financial fronts as well. These challenges are so complex, global and interconnected that no government or intergovernmental organisation will be able to solve them on their own. The post-pandemic recovery period provides a unique opportunity for global cooperation to rebuild the international order, including in the field of international trade. We need Australian leadership in rebuilding the global trading system and in restoring faith in the WTO and the international rules-based order that has benefited our country for nearly eight decades.

The Australian government is faced with unprecedented challenges. Today's recovery policies will without doubt shape the economic and social prospects for Australia for the near and longer term future. Moreover, the recovery will not gain momentum without more confidence which will need to be boosted both at national and international levels. While looking inwards to reassess the impact of the COVID-19 crisis on our businesses and SMEs is paramount, international cooperation and the resumption of the multilateral dialogue will be also critical for Australia's recovery and prosperity for our SME exporters in the 'new normal' of international trade.