The Australian Industry Group

Global Trade Guide

Navigating Success in Global Markets

2024

> Export Finance Australia's support over the last few years has been critical. Without its help, we would not be where we are today. We would not have had the financial backing or the support to enter the European and Canadian markets because of the time lag with payments.

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Foreword

By Louise McGrath, Head of Industry Development and Policy, the Australian Industry Group

It has not been an easy time to be a trade-active business in Australia. First, there was the interruption of the pandemic in 2020 and 2021, then the global supply chain crunch of 2022, followed by the global volatility and economic uncertainty of 2023. Trading businesses quite rightly feel like it has just been one crisis after another.

The characteristics of a successful Australian trader include curiosity, resilience, innovation and persistence – and those virtues have been in great demand in recent years. Our trading businesses have worked hard to keep goods on the shelves, get materials delivered to industry, and take exports to the world. Our exporters, importers, supply chain managers, customs brokers, freight forwarders and others surely deserve a pat on the back.

But as we emerge from the challenges of the pandemic and post-pandemic eras, we are now seeing that the trade world is becoming more complex:

» Digitisation is rapidly advancing following the pandemic, transforming both what we trade (such as digital services) and how we trade it (such as paperless trade).
» Services trade continues to surge as a component of global trade flows, as consumers continue to pivot their consumption and new ecommerce platforms open previously inaccessible markets.
» The energy transition has begun to affect trade, as businesses and consumers become more sensitive to carbon footprints. Carbon accounting schemes are coming to more markets, while new trade rules – such as carbon border adjustment measures – are entering global trade law.
» Social and ethical considerations are also becoming more prominent. Provisions for

labour and environmental rules are being written into free trade agreements, while modern slavery rules require greater diligence from all players in the supply chain.
» While supply chain pressure has eased from the worst of 2022, it has not disappeared entirely. Growing geopolitical tensions and war have disrupted many world markets, and are likely to disrupt more in the coming years.

These transformations mean that Australia needs to do a fundamental rethink of what we trade, who we trade with and how we trade.

At the Australian Industry (Ai) Group, we've tried to succinctly summarise these transformations as the 'three Ds': digitisation, decarbonisation and diversification. Every trade-active business in Australia will have to grapple with one of these – and possibly all three – in coming years.

We have decided to rename our long-running Exporter's Guide as the Global Trade Guide starting from this year. Our new name reflects that success in a changing trade world is not solely about successful exporting anymore. It also requires skills in managing imports and supply chains, deploying new digital technologies, staying abreast of compliance with new standards and rules, and getting to grips with your carbon credentials.

Whether you're an exporter, an importer, embedded in the supply chain, or all of the above, trade is becoming more complex and complicated. This Ai Group Global Trade Guide is designed to help trade-active businesses understand and navigate this uncertainty.

Ai Group supports trade-active members by:

» providing cost-effective and accessible trade facilitation services
» assisting industry development in global supply chains via the coordination of networks and clusters
» building cooperative relationships with Austrade, state government trade and investment organisations, and like-minded industry associations
» establishing formal cooperation agreements in more than eight key overseas markets with partner organisations
» leveraging our strong international business relationships, networks and affiliations to maximise outcomes for members' trade development activities
» employing full-time, experienced trade facilitation staff to assist companies to develop offshore trade opportunities
» ensuring that members are informed of the full range of government funding and programs available to assist their export development activities
» providing individual market entry planning and business matching services
» developing programs for trade missions and exhibition participation, both in Australia and overseas.

Ai Group works with member companies to identify businesses' interests and concerns in trade negotiations, and to advocate to negotiators that these be taken into account. We advocate with governments – state, federal and foreign – to support Australia's international competitiveness.

On behalf of industry, Ai Group advocates to improve policy settings for export facilitation assistance, the anti-dumping regime, the use of sanctions, intellectual property rights protection, export controls, air cargo security regulations and freer international movement of businesspeople, as well as assisting to resolve international trading disputes.

I know that you will benefit from the information in this practical guide, and I encourage you to make full use of the excellent resources available through Ai Group's Trade and Export Development Department – the team is here to help you showcase your innovation and expertise to the world. ●

The foundations for export success

By the Australian Industry Group

Export success requires a lot from a business. It demands a long-term view, very thorough planning, deep understanding of target markets and your product's alignment, and major investments in relationship building.

Long-term perspective

A company's size has little influence on its success in an overseas market. The foundation for success comes from long-term commitment and investment by senior management. This provides the financial and human resources support required for success.

It is inevitable that a company will experience problems and difficulties on an export journey. These issues will require additional effort and the unwavering support of senior management. The organisation must be seen to support its strategy and staff for the long run.

Thorough planning

Establishing in a new market requires considerable funding. One of the major barriers that companies experience in realising their export potential is the cost associated with developing their distribution networks and general marketing activities. Developing an export market is equal to creating a whole new business – requiring an export market plan with budget forecasts, performance measures and targets.

Once you're confident that your business can handle the financial challenges of exporting, the next step is to put together an export strategy.

Preparation and research

Market research may have identified the need to adapt products or services to suit the target market. For example:

- there may be a prejudice against the packaging, which may prohibit market entry
- the brand name may have to be modified, translated or changed to suit the market needs
- labelling and/or sizes may have to be changed
- fashion trends, seasonal differences and consumer preferences may be critical
- there may be a need to adapt products or services to meet the export market's standards and/or regulations.

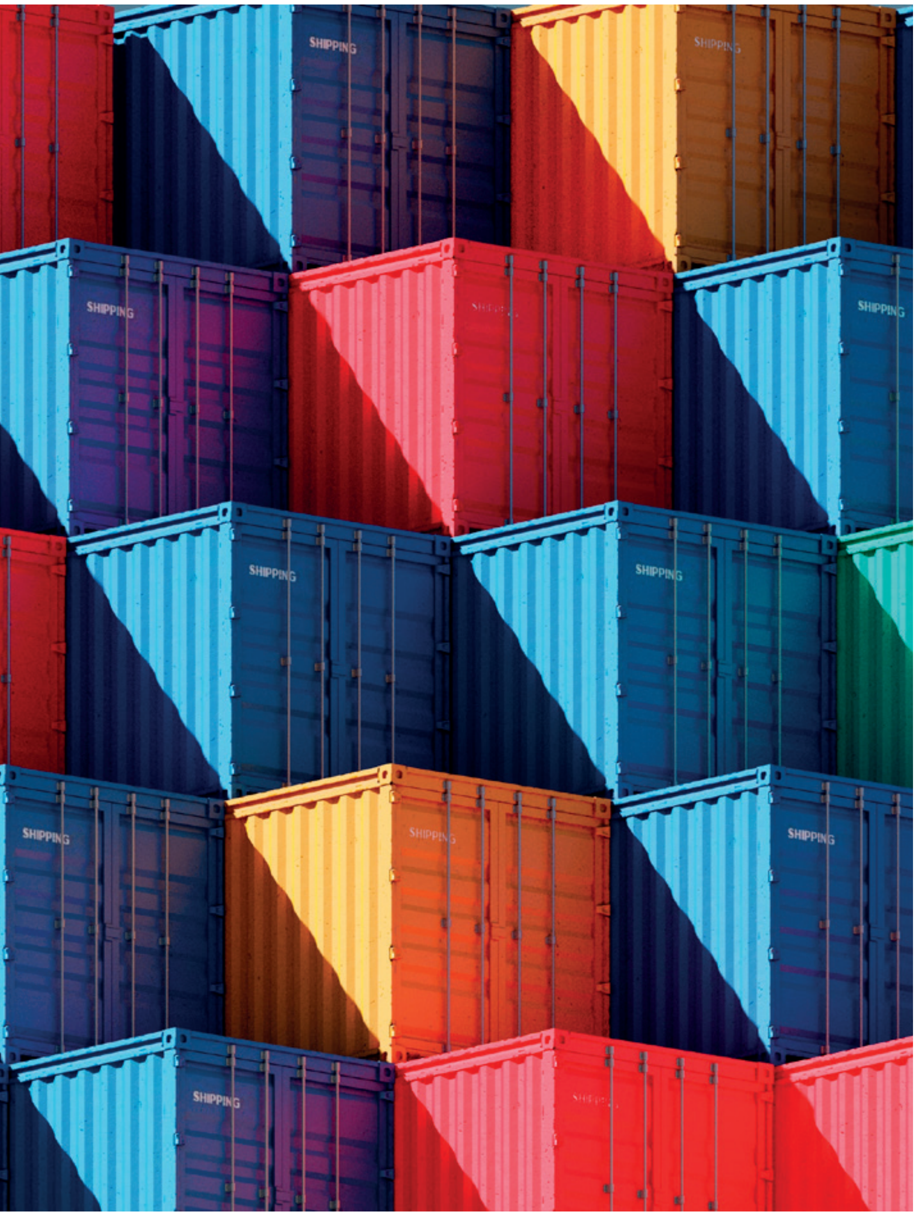
It is essential to thoroughly research potential export markets. Good market research will help identify promising opportunities, indicate potential barriers and help to minimise or eliminate mistakes that could prove costly.

Business cultures and ethics differ from country to country. An exporter will need to understand the local culture and customs when doing business in an export market. You will find that business is nearly always conducted by the business rules, culture and customs of the export market.

There may be language barriers in non-English-speaking countries that require the product/service and promotional collateral to be translated. Where English is not the primary language, negotiations may be frustrating or stall because of misinterpretations and misunderstandings. Exporters need to ensure that they understand the local culture into which they are about to introduce their product or service.

Pricing your products and services

After conducting market research, exporters can decide which pricing model will work best for their products and services – cost-plus or top-down pricing. Price will be influenced by many of the factors that are particular to the sector, impacted by the distribution channel, freight and delivery method, currency, and other nuances within the target market.



A number of factors that influence the final price of your products/services include:

- the manufacturing cost of the product
- the demand for the product in the target market
- your competitors' pricing
- the amount the buyers are willing to pay in their domestic currency
- the importing country's tariffs
- the supply chain involved in distribution
- internal factors like procurement frequency, delivery speed, product range, etc.
- your export objectives concerning the product.

Exporters should consider all models when establishing their products/services overseas before deciding on the one that they believe is right for them in the market.

Managing international relationships

Successful exporters are engaged with their contacts in the market. They develop strong, trusting relationships and are seen as partners to the business.

It is important that exporters view their future agents/distributors as members of the business. It is very easy to overlook them, and not provide the attention they need to engage and develop a loyal partnership. This is evident in Asia where regular contact is expected, demonstrating your commitment and long-term interest. A lack of communication can be perceived as a lack of commitment and interest in the relationship.

You spend a great deal of time supporting your domestic sales network, but you now have to include cultural differences, potential language barriers, distance, time zone differences and many more factors. This gives you some indication of the support and effort that is required to make your export relationships a success.

Attention to detail and quality

Being a successful exporter also requires a significant time commitment right across your business, so confirming support within your business for an export project allows you to proceed with confidence.

It is important that exporters pay attention to detail, particularly with documentation and product commitments. This can seem simple, but the consequences of not focusing on detail can be serious. Successful exporters stand out for their attention to detail, commitment to time lines, commitment to contractual or other obligations, and consistency in providing high-quality goods and services. ●

The Australian Industry Group International Trade Team can assist you in researching new markets. Please email big@aigroup.com.au for a free initial consultation.

Australian Government
IP Australia

Unpack global success with IP protection

Your intellectual property (IP) is a priceless asset – don't leave it vulnerable abroad.

We're here to help you understand the commercial value of IP and get your business export ready.

Your global business success starts with IP protection.

Protecting your IP will help:

- Set your business apart from the competition
- Establish your brand
- Defend your business against copycats
- Avoid infringing on others' IP rights.

Looking to register IP in China? Our Beijing-based counsellor provides IP guidance and support for Australian businesses navigating the Chinese IP and legal systems.

Follow the QR code to learn more about how businesses like yours are leveraging their most valuable asset, at home and overseas.

P TM D PBR

IP Australia: helping companies grow by harnessing intellectual property

IP Australia's online tools and information are valuable resources for businesses of all sizes.

Protecting intellectual property (IP) is a critical step for any business entering an overseas market as it reduces legal risk, and creates more value from the brand and other intangible assets.

Jodie McAlister, General Manager – Policy and Stakeholder Group at IP Australia, says companies considering exporting should address IP issues before problems emerge. Longer term, they should view IP as a flexible asset to drive business value and achieve goals.

'Every Australian business owns valuable IP assets, regardless of its size,' says McAlister.

Companies can register trade marks, patents, design rights and plant breeder's rights with IP Australia for the Australian market, and find useful information about protecting IP assets internationally.

Many businesses overlook the value of IP and do not consider protecting these assets because they assume that their business owns no valuable IP, or only think about IP after a problem occurs.

'IP should be regarded as a business-critical concern because it impacts profitability, market share and the ultimate success of operations in new markets,' says McAlister.

This is timely advice. Last year, 32,264 patent applications were filed in Australia – just short of the 2021 record.[1] Patents filed overseas by Australian companies increased by 2.4 per cent to 9328 in 2021.

The continued strength of patent applications in Australia and overseas reflects the resilience of global innovation investments after COVID-19.

Protecting your IP assets

Having the right IP protection can reduce the risk of damage to your brand by copycats.

'If you plan to succeed in new export markets, fast followers and counterfeiters should be expected,' she says. 'You should proactively monitor the market and competitors for problematic activity, and act early if problems arise.'

An estimated 2.5 per cent of world trade – worth US$464 billion – is counterfeit.[2] The broadening scope and magnitude of counterfeiting is a 'significant economic threat' affecting many industries, an Organisation for Economic Co-operation and Development/European Union Intellectual Property Office study found.[3]

Some small and medium-sized enterprises (SMEs) are damaged by counterfeiting and product piracy. An SME whose intellectual property and rights (IPR) have been infringed is 34 per cent less likely to survive after five years than one that did not experience IPR infringement.[4]

'It's important for SMEs to increase their IP readiness levels early, because they have fewer resources to invest in addressing problems after they arise,' says McAlister.

Understanding and protecting IP also provides some assurance that you are not inadvertently infringing on others' IP in a way that could create legal costs or prevent your business from expanding, says McAlister.

Creating sustainable value

The conventional view of IP as a 'sword and shield' that provides exclusive rights to exploit IP in a market, and fend off IP attacks from competitors, is too narrow.

'Applying for an IP right to protect your idea is critical if you want to build your business and establish your presence in a market,' says McAlister. 'IP rights are instrumental in attracting finance, licensing and selling intellectual assets, and earning a return on intangible investment.'

IP Australia research shows that SMEs in Australia, after filing for their IP rights, are more likely to experience high growth than peers with no recent IP filings.

Moreover, Australian businesses that file trade marks overseas are three times more likely to enter that market; more likely to expand exports when our dollar rises; and, on average, earn around 30 per cent more revenue if they are long-term exporters.[5]

'Trade marks are flexible tools, and can help businesses differentiate from rivals' products and compete in diverse markets,' says McAlister. 'Businesses with strong brands, developed and protected as trade marks, may be able to stretch these across product categories, and market new products under their familiar brands.'

For startups, improved access to finance and a higher valuation are other benefits of holding patents and trade marks. Research has found that patents serve as a 'quality signal' of a company to venture-capital providers.[6] Startups holding patents or trade marks can increase venture capital investors' estimates of the startup's value by up to 22 per cent.[7]

'Once ideas are protected IP, they become transferable assets that can be licensed and sold to other parties,' says McAlister. 'This expands the range of strategic options available to a business to capture returns from innovation efforts.'

How IP Australia can help your business

IP Australia's website has information to help you choose the right type of IP, a free TM Checker to check if a trade mark is available, free online courses on IP basics, case studies, fact sheets and tools.

You can use its online services portal to apply for or manage an IP right, renew or amend an application, make payments, and review correspondence. The agency's website can also be a gateway for filing for protection in other countries through the Madrid System for the international registration of marks, and the Patent Cooperation Treaty.

Jodie McAlister, General Manager – Policy and Stakeholder Group, IP Australia

For companies interested in entering China, IP Australia's Beijing-based counsellor can provide guidance for Australian businesses on navigating Chinese IP and legal systems.

IP Australia is helping companies navigate a fast-changing IP landscape. New technologies, like generative artificial intelligence, could disrupt traditional methods of creating and protecting ideas.

McAlister says IP Australia's vision is to create a world-leading IP system that builds prosperity for the nation. 'Protecting your IP can be a game changer. IP Australia is here to support individuals and businesses of all sizes to get the best out of their most valuable assets – their ideas.' •

To learn more about IP Australia, visit www.ipaustralia.gov.au.

End notes

1 *32,264 total patent applications filed in 2022 compared to 32,409 in 2021.*

2 *OECD, European Union Intellectual Property Office (2021), 'Global Trade in Fakes: A Worrying Threat'. 22 June 2021.*

3 *Ibid.*

4 *OECD, European Union Intellectual Property Office (2023), 'Intellectual Property Infringement poses a major threat to SMEs.' Media release. 31 January 2023.*

5 *IP Australia (2021), 'Exporter response to shocks: The role of trade marks'. June 2021.*

6 *Hsu, D., Ziedonis, R., (2013), 'Resources as Dual Sources of Advantage: Implications for valuing entrepreneurial-firm patents.'* Journal of Strategic Management. Vol 34. No.7

7 *Ibid. See also Block, J. H., De Vries, G., Schumann, J. H., Sandner, P. (2014), 'Trade marks and venture capital valuation.'* Journal of Business Venturing. Vol 29., No 4.

Selecting and researching your export markets

By the Australian Industry Group

There is a wide range of export markets that a company could consider. It is important to select the export markets that offer the greatest opportunities, keeping your company's capabilities in mind. Targeting the right market is an important first step in export market development, as there is nothing worse than deploying an effective market entry strategy aimed at the wrong market.

One of the quickest ways to select a suitable market is to build a list of potential target markets, while slowly gathering data on opportunities for the company's range of products or services for exports. This will help to build a list of possibilities, and it will help to ensure that no hidden issues potentially block or deter the export development process.

This initial development of various options is useful to help identify information requirements needed, as well as critical assumptions being made about potential target markets that need to be checked.

The objectives are to:

» clarify the current market preferences of the senior management and their reasons for these preferences
» identify important information gaps as a basis for the development of a market research brief
» decide on a shortlist of potential export markets.

This should lead to:

» a shortlist of potential export markets to consider further (companies already exporting will have reviewed their existing export markets, as well as potential new markets)
» a summary of high-priority information required to make this market choice.

Selecting your target markets

The choice of which overseas market to target is arguably one of the most critical steps in planning for export. Selection of the right market will lead to early success and further encouragement from your shareholders, financiers, employees and customers.

This is one of the most expensive and time-consuming steps due to the level of detail of market research data needed. In order to reduce financial risks, a staged approach should be considered when selecting target markets. This approach will reduce the likelihood of researching and investing in markets that won't produce optimum results. There are two steps in this phase of research:

1. Identify markets that are unsuitable

The goal is to find out if there are any prohibitions against your product or service in the export markets you are considering. Always be prepared to look further than the obvious regulations, and know that there are often rules that restrict access to other markets. This initial investigation should allow you to eliminate unsuitable target markets.

Once you have established whether your product/service is permitted, your next step is to establish what restrictions may be imposed on your product/service in those countries. Key non-tariff barriers facing Australian exporters may include:

- 'buy national products' campaigns
- rules and marks of origin
- product registration and testing
- technical standards and certification
- nominated importer requirements
- customs delays
- export subsidies
- financial and counter-trade obligations
- anti-dumping laws
- sanitary regulations and protocols
- quarantine restrictions and pre-shipment inspection.

2. Identify potential markets

The rest of the potential markets can be assessed for the opportunities they offer. You will need to conduct research to determine factors relating to:

- current free trade agreements with both Australia and the home countries of your major competitors
- size of market (population and spending power)
- political and economic stability
- market growth potential
- level of competition
- practicality of supply or servicing from Australia, compared with suppliers geographically closer
- local culture, such as religion, customs, lifestyles, and business practices, which may impact on your success (for example, the marketing of alcoholic products to Muslim customers would be culturally unacceptable).

Setting priorities

Your company should develop export market preferences on the strength of your knowledge of the products, domestic market experience and interaction or networking within the industry it operates. It is important to continuously review these possible export target markets, and to identify their particular advantages and disadvantages as new information comes to hand.

Checklist for potential export markets

- Which markets/segments are your competitors targeting?
- Which countries are major importers of the products/services?
- Which countries are major suppliers?
- Which countries have free trade agreements with Australia, and how do you leverage this competitive advantage?
- What level of economic development is ideal for the use or consumption of the products or services? Which countries are at this stage of development or fast approaching it?
- What is the size of the various markets being considered and a rough estimate of the market supply structure – what is the proportion of demand met by domestic production versus imports?
- How fast are the imports growing?
- What are the potential market barriers? How costly is it to enter the market?
- How large/well developed are the potential industry, commercial or consumer users?
- What is the product life cycle of this market?
- In which markets does your products/services have a natural competitive advantage?

Researching the market

After the process of target market selection based on the available information, you are now ready to proceed with in-depth research of three to four target markets. Initially, research should focus on product potential by looking at the following issues:

- size of the market
- competition
- pricing
- market entry barriers
- distribution channels.

Depending on the market and the nature of the product, a low-cost electronic search of business databases should yield basic data to complement previous knowledge of the target market.

This process will help to reduce the target markets to two to three key markets for in-depth research. You can analyse and prioritise target markets and identify major research issues that need to be addressed. The analysis should look at the relative market attractiveness and competitive position of a given market for your range of products or services. This will be helpful in resource allocation decisions, particularly in allocating resources to developing markets with high growth trends and future profit potential.

Attractiveness factors:

- market size and growth trends
- entry cost and investment requirements
- degree of price and supplier competition
- buyer's strength and level of product/market understanding
- level of market entry barriers
- level of technological/product innovation and development
- ease or difficulty of doing business (language and cultural barriers)
- political and economic stability.

Competitiveness factors:

- market share
- established brands
- established distribution network
- competitive price
- innovative products/services or marketing
- products/services quality
- superior packaging or presentation
- network of contacts
- patents/copyrights.

Preparing a market research brief

In the process of selecting your target markets, gaps in information would have been defined and listed as needing further research. This information list should form the initial data requirements that can be built into a well-planned and focused research brief.

It is important that the objective of the research is well-defined and designed to address the key issues relating to the target markets. Generally, a well-planned research brief should contain the following basic information:

- aspects of the market to be investigated and in what depth
- why the information is needed and how it will be used
- information about the products to be exported
- information about the client company commissioning the research. ●

The Australian Industry Group International Trade Team can assist in developing a research brief and conducting overseas market research on your behalf. Please email big@aigroup.com.au for more information.

Financial and management resources required for export

By the Australian Industry Group

The development of a new export market involves much more than simply achieving an initial sale. Rather, it involves the successful identification and development of a range of factors necessary to allow long-term profitable business results to be achieved. This is particularly important as initial trial sales are, in most cases, not going to justify the considerable time and financial investment in export marketing.

New market development will involve some or all of the following:

» building new relationships – usually in unfamiliar cultural and business environments
» adapting for new market needs as foreign markets vary from the familiar domestic market
» arranging efficient and reliable distribution
» establishing methods of monitoring the market particularly for consumer markets, which are typified by change
» developing a plan or strategy that is realistic, affordable and flexible enough to grow with market penetration.

Development of a new export business is like the creation of any new business. It requires financing an initial investment, a great deal of time management and commitment, and good planning. While this article focuses on financial and management resources required for export, the importance of having an export plan cannot be overstated.

Management resources required for export development

The most important factor common to successful exporters is commitment from top management. This commitment is required to ensure that export development receives priority within the company, and to allow adequate resources to be made available. It also encourages all employees to contribute to the success of any export process. In addition to marketing, the involvement of production, warehousing and administration personnel is necessary to deliver export orders on time and to specification.

In a practical sense, it is important to define who will be responsible for doing what and when. The tasks to be undertaken will at least include the following.

Marketing and research tasks

Market selection and market research
This involves analysing the most suitable market; identifying the nature of the opportunities; gaining an understanding of distribution, channels to market, competitors and likely customer needs; and establishing initial contacts.

Assessment of market entry strategies
This is where you will spell out important specifics like your business goals, overview of your target market, precisely where you will sell in your target market, expected sales, and how you will achieve them. This will also involve effective methods of introducing your products and establishing importation, distribution, and sales. These strategies may involve trade show participation, agency or distributor agreements, special arrangements for customer testing, product registration, and trial orders. Ultimately, it will involve ongoing marketing activities.

Preparation of a company profile and other marketing material
A company profile is a key tool in international marketing for introducing your company and its products or services to potential business partners or customers. The profile is both a marketing and a planning document as its preparation requires the gathering of a broad range of information.

Planning preparation and undertaking market visits
Eventually, it will be necessary to make a series of visits to the market during both the initial and market development phases. In fact, regular visits on an ongoing basis will normally be required as the market develops. Market visits are expensive in both time and money, and so maximum benefit should be derived from the time spent on this activity.

Handling inquiries
One of the immediate effects of commencing overseas market research could be the inquiries from the market as your product or name becomes known. It will be necessary to put in place mechanisms to evaluate and respond to these inquiries. This is where the ready availability of company profiles and suitable marketing can be very helpful.

Identifying sources of assistance
Both the federal government and most of the state governments operate several schemes that potentially aid exporters. Austrade and the TradeStart network provide exporting and market selection advice to export-ready businesses. Companies should familiarise themselves with these sources of assistance and how they can be used to best effect.

Negotiating sales and distribution agreements
Distribution agreements arise from negotiations, and aim to set out the relationship between the supplier of the products and/or services, and the distributor who (re)sells the products to third parties. This can be a long and difficult process, taking up considerable time and often requiring multiple market visits. It is essential that appropriate advice is obtained prior to signing a sales or distribution agreement to make sure that the relevant rights and obligations during the term and after termination are upheld.

Protect your brand and/or intellectual property
A well-protected brand can be a business's most valuable asset. The main purpose of brand protection is to ensure that the aspects of your business that make it identifiable, unique and distinct from the competition cannot be copied or interfered with. Some countries do not necessarily recognise foreign trademarks and patents, and/or have different rules regarding brand name protection. If problems do arise, the steps you have taken to protect your brand will give you recourse to seek compensation

and halt further mischief through various legal channels.

Product-related tasks for export development

Undertake proper export costing and reverse pricing

It is essential to determine the cost competitiveness of your product. Based on this, it may be determined that modifications are required for the product to find an appropriate value/cost niche within the market.

Product development and modification

The task of altering products, and changes to manufacturing requirements, may also need to be undertaken. This may mean changes to sizing, additions to ranges, or options on complete product re-engineering. This will require cooperation between marketing, development and manufacturing personnel.

Identifying production requirements

The expansion of, or at least possible changes to, production requirements will require careful planning and scheduling. There is always potential conflict between meeting existing customer requirements, and slotting in new and often novel requirements for overseas customers on short notice.

Identify product suitability

Ensure that your product is legally able to be sold in your selected market. Just because you have an order does not mean that your product is legal. Ensure that you have complied with importing country requirements by utilising the resources of the Department of Foreign Affairs and Trade, Austrade, the TradeStart network, and the Manual of Importing Country Requirements.

Administrative and logistical tasks for export development

The development of exports places several ongoing administrative demands on companies. These may include:

- handling of export documentation involving new methods of payment
- meeting customs requirements both in Australia and in other countries
- working with banks to ensure appropriate finance and payment arrangements
- working with both marine and export credit insurers
- arranging shipping through freight companies, shipping lines or other parties
- liaising with customers in the export market
- coordinating budgets and monitoring the plan.

In many cases, these tasks – whether marketing, product-related or administrative – will need to be undertaken in addition to existing activities. Nevertheless, it is necessary that they are seen as an integral part of the business. As input and cooperation will be required from various people, particularly in larger organisations, the best results will be obtained when people believe that it is part of their core activities.

Financial resources

The development of a new offshore market will always involve expense. The types of areas where new or additional expenditure may be required are listed below. Naturally, the size of the expenditure will depend on the nature and scale of the project involved.

Marketing expenditure:

» production of marketing materials, including multilingual material
» market research through the Australian Industry Group, Austrade or consultants
» travel and accommodation for market visits
» trade show participation, including development of display material
» updating of the company website, which is necessary in several emerging markets
» digital platform or marketplace to explore new channels to markets, including ecommerce
» social and digital media advertising.

Product development and modification:

» resizing of products
» development of new tooling, patterns, etc.
» design of new product lines
» modification of consumer and/or transport packaging
» achievement of quality accreditation
» meeting of government requirements – health certification, product registration, product safety standards, etc.
» provision of training and in-market product support.

Capital expenditure:

» acquisition of new or additional production equipment
» establishment of offshore offices, support arrangements, warehousing and distribution
» equity in joint ventures.

Financing costs:

» additional raw material and finished product inventory costs
» extended credit terms
» currency and credit risk
» financing of additional transport costs
» marine and credit insurance requirements.

Export administration and other costs:

» documentary credit arrangements
» cost of overseas intellectual property protection
» cost of extended product liability insurance (this, in particular, is often overlooked and can be significant)
» customs and other export administration costs.

Companies should determine, as early as possible, the likely size of all these costs, and take appropriate account in their export costing. It may also be necessary to modify or stage the export development plans to allow an appropriate cash flow position to develop.

Preparation is key

This article introduced the areas that are likely to take up management time and financial resources when entering new export and global markets. Proper planning and management of the people involved is essential to minimise both the time and costs involved. ●

The Australian Industry Group's International Trade Team can assist you in addressing these issues. For more information, email big@aigroup.com.au.

> Export Finance Australia's support over the last few years has been critical. Without its help, we would not be where we are today. We would not have had the financial backing or the support to enter the European and Canadian markets because of the time lag with payments.

Mark Ashenden
Co-founder and Executive Director, Seed Terminator

Export Finance Australia:

helping SMEs take on the world

More support is available for exporters that need finance to expand overseas.

In 2019, Seed Terminator secured contracts in Germany and Canada for its non-chemical weed killer. The fast-growing agribusiness needed financial support to expand internationally and export its technology for sustainable farming.

After exploring its finance options, Seed Terminator met Export Finance Australia's team in South Australia. A year later, Export Finance Australia provided the first of several Small Business Export Loans to help Seed Terminator deliver on its export contacts and expand in the Northern Hemisphere.

Mark Ashenden, Co-founder and Executive Director of Seed Terminator, says the business did not have the financial backing or support for global expansion before Export Finance Australia's support.

'Export Finance Australia's loans ... allowed us to get our foot in the market while continuing our research and development to make our product better for the operating conditions,' Ashenden says. 'The loans also allowed us to bring our export aspirations forward a year earlier. Without that capital, we would not have gone into Canada, and we would not have gone into Germany four years ago.'

Seed Terminator is one of more than 700 businesses that Export Finance Australia has worked with in the past 10 years, during which it has supported over $35 billion in contracts and projects in over 115 markets worldwide. In FY2023, Export Finance Australia supported around 130 small to medium-sized enterprise (SME) exporters, providing $314 million in funding.

As Australia's export credit agency, Export Finance Australia provides finance for export trade and overseas infrastructure development.

Export Finance Australia's work ranges from supporting SMEs to large corporates, foreign governments and infrastructure projects. The common theme is helping Australian businesses take on the world.

Valuable service for SMEs

Greg Caisley, Chief Customer Officer at Export Finance Australia, says the organisation helps solve funding problems for SME exporters.

'Typically, exporters come to Export Finance Australia when having trouble sourcing finance from the primary banking market. The business might have working capital challenges as it expands internationally, or its balance sheet might not have kept pace with business growth,' Caisley says.

Like other lending institutions, Export Finance Australia assesses an organisation's financial and operational viability before providing solutions, such as a loan, bond, guarantee and, in limited cases, equity.

Caisley says demand for Export Finance Australia's support has risen in the past few years. 'It's been a busy time as Export Finance Australia experiences strong growth. The number of businesses supported and the finance provided has increased substantially. We've added employees to support Export Finance Australia's growth and serve more SMEs.'

Higher business costs, supply chain disruption and challenges in bank SME lending have underpinned Export Finance Australia's growing enquiry levels, says Caisley.

'Freight, insurance and other costs for exporters are rising. Also, some exporters are holding more inventory because of supply chain disruptions. Bank funding limits for different market exposures can also create challenges for some SME exporters.

'We do a lot of due diligence and work hard to understand the exporter's goals and where it is in its export journey,' says Caisley. 'In some instances, we have provided multiple loans over several years to support an organisation's export growth.'

SMEs that approach Export Finance Australia usually have established banking facilities and export contracts. 'An SME, for example, might seek $4 million from Export Finance Australia to add to the $10 million secured from its bank,' says Caisley. 'In this way, Export Finance Australia can help the SME leverage the total funding required to pursue its export opportunities.'

Export Finance Australia works across industries. Manufacturing is the largest sector supported, followed by agribusiness. Within that, it supports businesses that supply goods or services to exporters, such as those providing mining services. The renewables and technology sectors are growth areas for Export Finance Australia.

Caisley says Export Finance Australia offers much more than finance. 'We've worked with hundreds of businesses across different industries and countries, so we have a lot of experience to draw on and share. We also work closely with other government agencies and similar export credit agencies overseas. It's important that SME businesses understand the support available through Export Finance Australia and how it can help them.'

New phase of growth

Established more than 65 years ago, Export Finance Australia has a unique role in Australian trade. SMEs comprise 88 per cent of goods exporters and 65 per cent of services exporters[1].

'There was a perception that exporting was mostly about putting a pallet on a ship. Today, Export Finance Australia supports agribusinesses exporting innovative technologies, electric vehicle manufacturers, landscape designers and a range of exporters not involved in traditional manufacturing,' says Caisley.

'We're always looking at ways Export Finance Australia can be more impactful and work with a wider range of organisations. Part of that involves creating a more defined ecosystem of SME export support across government.'

For example, Export Finance Australia's work with CSIRO can assist technology exporters. Its relationship with Austrade can link SME exporters to new markets and networks. Export Finance Australia's relationship with banks is another asset.

'We see opportunities for Export Finance Australia to collaborate formally with more organisations in Australia and overseas, across government and the finance sector,' says Caisley. 'This ecosystem approach can add greater value to SME exporters and further increase Export Finance Australia's impact.

'We want SMEs that might be struggling with sourcing finance to talk to Export Finance Australia,' says Caisley. 'We're here to help, and we have the capability. We listen to SME challenges and, in many cases, create tailored solutions. If we can't help them now, we might be able to in the future. And if we don't know the answer, we can usually point an SME to those who do. Most of all, Export Finance Australia can share knowledge and experience because SME exporters often face similar challenges.'

To learn more about Export Finance Australia, visit www.exportfinance.gov.au.

End notes

1 *Department of Foreign Affairs and Trade (2023), 'Outcomes: Small and Medium-size Enterprises,' Australian Government.*

Market entry methods

By the Australian Industry Group

I've found the market – how do I get my product there?

Directly exporting your goods into an international market is only one way of expanding abroad. It is also worth exploring other options, such as licensing, joint ventures, or setting up offshore operations that may be more acceptable to your customers. Selecting a market entry method is critical to doing business internationally.

Many internationally minded companies are trying to go global faster by joining hands with rivals, suppliers and customers to form strategic alliances. For some types of industries/products, alliances are increasingly necessary; however, many alliances fail. Others end up in a take-over, where one partner swallows either the joint venture or the other company. In effect, the partner that is faster at learning from the other comes to dominate the relationship and can then rewrite its terms.

Market entry methods

A market entry strategy is nothing more than finding the best method/s of delivering your goods to your market and distributing them there. Or, if you are exporting services, it means setting up ways to obtain and manage contracts in the foreign country.

The market entry strategy is, in essence, a plan for the marketing program to be used for the product and market. As such, it requires decisions on:

» the objectives and goals in the target market
» needed policies and resource allocations
» the choice of entry modes to penetrate the market
» the control system to monitor performance in the market
» a time schedule.

When developing your sales channel strategy, it is important to consider how you will reach customers in your target market. Some businesses use one channel, while others use a combination of channels to market. It is crucial to consider both market access requirements and your business goals. In some markets, you don't have a choice. You must work with either an agent or a distributor. In other markets, you might need several channels to reach your customers.

Some of the most common market entry strategies are:

Direct sales
Direct sales are the simplest and most direct of the sales methods, where the exporter sells directly to the customer.

Pros: Total distribution and pricing control for the exporter; high profit potential due to elimination of any middlemen; and simple and best-possible margins.

Cons: Your company provides all services (including advertising, marketing, customer service, translation and required labelling); you must become an expert in that market; credit risks are, on average, the highest of any other strategy; potential sales volume is low; and product liability insurance may exclude other major buyers/resellers and requires frequent travel.

Agent or representative
Pros: If you perform due diligence and find the right agent, your export products are represented by an expert in the local market with established customer contacts, and sales potential increases.

Cons: Typically, the exporter must grant exclusive agreements regarding geographic regions or product lines, control over pricing is relinquished, and profit rate is lowered due to sales commission.

Caveat: Agents and representatives are not the same in every international market. You must do your homework to determine the actual relationship into which your firm is legally entering.

Distributor

Pros: The exporter essentially deals with a single customer who takes title and possession of the goods – assuming total responsibility for promotion, marketing, delivery, returns and customer relations in exchange. Sales volume potential increases and credit risk decreases.

Cons: The relationship is harder to legally terminate than with an agent or representative, and the wholesale price will usually be higher than in the US market. You may have loss of product control in the market and minimal sales reporting, and your importer/distributor may need a large margin.

Licensing

Licensing is granting another firm some rights – such as patents, trademarks or know-how – often for a fee. It is a means of establishing foreign

production that may minimise capital outlays, prevent the free use of assets by other firms, allow the receipt of assets from the other firm in return, and allow for income in some markets where exploration or investment is not feasible.

Pros: There is minimal credit risk, and a low level of commitment and risk for the Australian company since the overseas licensee is responsible for all production, marketing, distribution, credit, and collections.

Cons: There is a risk of loss of intellectual property and, despite potential high sales volume, profit is limited to a small percentage on each sale.

Caveat: This strategy works best for goods that can be produced relatively easily at overseas production facilities.

Joint venture

Joint ventures are widespread because host countries want local participation, and because rapid foreign expansion has necessitated that firms bring in outside resources.

Pros: The per-unit cost of production can be significantly lowered by moving selected manufacturing overseas, and there is a higher sales volume, market penetration, and profit potential than any other strategy.

Cons: This requires a high level of commitment, investment, resource allocation and risk.

Caveat: This high-risk, high-commitment, but potentially high-reward strategy is for exporters already experienced in the target market who are prepared to take maximum advantage of that market's potential.

Franchising

Franchising differs from licensing in that a trademark is an essential asset for the franchisee's business, and the franchiser assists in the operation of the business on a continual basis.

Pros: This offers wide and quick market coverage, and protection from copying, and is reasonably profitable.

Cons: The cost of studying laws and regulations in different countries is high, as is the cost of frequent visits to support franchisees. There is the potential to lose contracts to major franchisees.

Caveat: Franchising your idea, product and style of presentation to foreign franchisees carries with it a moderate degree of risk.

Cross-border ecommerce (online sales)

Exporting online – or cross-border ecommerce, as it can be more formally known – presents an opportunity to help new exporters get started, test products in new markets, grow sales, and increase the number of multi-market exporters.

Ecommerce is the world's fastest-growing retail channel, and the business-to-consumer segment is growing at a much faster rate, especially in Asia. It presents huge potential for Australian exporters.

This presents an ideal opportunity to help your business get started in exporting, grow sales in existing markets, or test products in new markets. The online business model is that your business should match resources, capabilities and experience. Regardless of which business model you choose (from business to business, business to business to consumer, your own website, online platform, or to marketplace), it's important to understand what's required in each to help you maintain your online exporting strategy.

Using ecommerce can bring billions of online consumers within the reach of even the smallest Australian producer. In some cases – for example, China – this may provide easier market access compared to traditional exporting channels. Many markets have specific import policies to facilitate delivery of online purchases from overseas. These are generally known as 'cross border' policies.

Small businesses with a great product, strong marketing materials and solid preparation can often compete on a more equal footing with large businesses than in traditional retail channels.

Online sales can also be a popular way for small businesses to start exporting, but without the experience and resources of large companies, it can be challenging to put the pieces of the puzzle together.

While the areas of risk are largely the same as in traditional channels, having your products online is far more transparent. This has the benefits of easier research about your own product and those of your competitors; however, it also means that the reputation of your brand is more transparent, and can be at the mercy of dissatisfied vocal consumers.

Compared with exporting using traditional bricks-and-mortar channels, the ecommerce environment seems to move much faster, and staying across the trends and tactics for a successful business is a continuous job.

Whether a business manages tasks in-house or outsources them, it is important to understand what is involved. Understanding what is involved and asking questions is a good start. Knowing realistic outcomes and the challenges involved will help you set performance expectations with any service providers, and ensure that you are receiving good-value services.

Don't forget

No matter which method (or combination of methods) you use, you should always:

Do due diligence on any partners and service providers

Many exporters lack understanding of exactly how ecommerce works and the tasks that they are outsourcing, which can lead to making uninformed decisions about agreements with partners or others providing them with services.

Protect your brand

The most obvious steps here are to ensure that your trademarks, website domain names and social media accounts are registered in target countries. For some markets, this can be done by you; while in other markets, some assistance is needed from in-market legal advisers.

For many markets, a dotcom website will be sufficient to market to a wide range of countries; however, this may not suffice for China, where a site hosted in China or Hong Kong is required to deliver the speed required without censorship. ●

The Australian Industry Group International Trade Team can assist in developing your market entry strategy. For more information, email big@aigroup.com.au.

Developing a market entry strategy

By the Australian Industry Group

Having obtained knowledge and understanding of the selected market, the business must now determine the best market entry strategy for the selected market. It may be direct export or distributorship, joint venture or partnership, alliance arrangements, or via ecommerce.

The following checklist may be a convenient way to quantify some of the aspects you need to consider when selecting your market entry strategy. You will need to modify this list to make it relevant for your products and services, and to target industry (i.e., cross out irrelevant items, add additional items, and so on).

Evaluating market entry options

Costs

- How will you support your market entry? Is finance a limiting factor?
- Is the gross margin and volume potential high enough to afford an aggressive presence in the market (e.g., local office)?
- Could turnover be improved with a more aggressive presence in the market to be able to gain economies of scale?
- Could production costs be reduced (e.g., local assembly or contract packaging)?
- Has a reasonable payback period been allowed when considering an aggressive market entry strategy?
- Has ecommerce been considered? If so, do you have your own website or use a third-party service provider?

Control

How important is it to control:

- how aggressively your product is marketed?
- how your brand is promoted?

» how your product is serviced?
» how much market information is fed back to you?

Risks
» How stable are expected sales?
» How politically stable is the market?
» What is the risk of losing market share?
» What are your competitors' strategies?
» Do currency fluctuations pose a risk? If so, what is the level of sensitivity?
» What is the risk of non-payment? Should you insure against this?
» What are the risks and consequences of not meeting orders on time?

Price
» Could a better price be won for your product if it were marketed more aggressively?
» How much control do you have over pricing?
» Do you apply a 'cost plus' or 'what the market will bear' approach, or a combination of both?
» Could prices be cut by having some or all of the product manufactured or packed locally?

Government regulations
» Do local government regulations restrict or encourage a more aggressive presence in the market?
» What incentives are available from the target market government?

Management skills
» What skills are required to have a more aggressive presence in the market?
» Are these skills available within your company?
» If not, are they difficult to acquire or develop? What will they cost?
» How long will it take to acquire or develop these skills?

A market visit is essential before finalising your market entry strategy. There is nothing to replace a firsthand view of the physical market conditions together with meeting with counterparts in your industry. A market visit may be in conjunction with a trade fair or trade show display, or in-store promotion.

Participation in an overseas buyers' mission visiting Australia can also achieve worthwhile results.

Effective distribution strategy

An effective distribution strategy will enable you to use your sales channels effectively and maximise profits. Focusing on a small number of sales channels lets you invest in each one and build strong relationships with key intermediaries.

A strategic approach to distribution will also identify conflicts and minimise them. For example, if you sell your product directly online and through other offline retailers, you may find yourself in competition with your own distributors. How do you decide how much support to offer distributors, and how much to invest in promoting your online sales channel?

Whatever channels you use, you need to manage them properly. This means investing in in-house systems and staff, as well as building good working relationships with agents and distributors. Efficient coordination and effective communication is vital if you want to maximise your sales. ●

The Australian Industry Group International Trade Team can assist in developing a market entry strategy for your business. Please email big@aigroup.com.au for assistance.

Strategic partnering options

By the Australian Industry Group

If you have ever thought about linking your company with a like-minded international company for any of the following purposes, a strategic partnership may be the solution for you:

- expanding your markets and achieving economies of scale
- adding new products
- optimising your technology
- sourcing finance
- accessing new technology
- creating effective synergy through linkages with compatible international partners to:
  - share costs
  - share risks
  - share knowledge
  - share resources.

In our experience, strategic partnering can be a good option to solve two common problems of small and medium-sized enterprises (SMEs) – namely:

- lack of access to capital
- lack of good regional market access.

Exporting is not always the best option

Our experience shows that two-thirds of SMEs that enter foreign markets through export fail, and three-quarters of SMEs that establish operations inside foreign markets succeed. The problem is that most SMEs cannot establish a subsidiary overseas because it is beyond their financial capabilities and their managerial resources. Strategic alliances can be the answer to this problem.

Introduction to strategic partnering

Generally, a strategic partnership is an alliance between at least two companies that enhances the strategic purpose of each company, produces synergistic outcomes, and is the best option to achieve an objective. The nature of the alliance may take many forms.

The formation of a strategic alliance with the right international partner may mean increased profits through the sharing of costs and risks, increased access to knowledge and resources, and the harnessing of combined strengths. This sharing of resources involves not only a sharing of labour and capital, but also extends to management and marketing methods, and a shared commitment in time.

While fruitful arrangements can be made between companies within Australia, there are potentially valuable business opportunities available with foreign companies that are better situated in the global marketplace to enhance your company's growth through a strategic partnering venture. International firms may also offer larger amounts of capital and access to specific resources that may suit you, or the particular type of technology you are seeking.

Types of strategic partnerships

While the number of options is infinite, the following broad categories provide a good summary.

Cross-representational relationships for marketing opportunities

This is a business arrangement where the parties involved agree to promote and sell each other's products or services in their respective local markets.

Joint venture/joint tendering/equity participation

These arrangements involve some form of equity contribution to the venture by the parties concerned. This may include capital, technology, or plant and equipment (or access to these), or an established marketing and distribution network. This business arrangement would normally be covered by a contractual agreement that sets out the relative shareholding of each partner, arrangements for the distribution of profit, the ownership of technology, or other deals that are to be covered within the contract.

Investment recruitment

A special type of joint venture arrangement is investment recruitment. This involves the development of a strategy to attract an

investment partner to your enterprise who may be required to provide equity, or to bring other expertise and support to the project.

Franchising
The granting of a franchise confers a right to produce, sell or use a developed product, service, brand name, marketing system, or other rights to another party (the franchisee) as part of a binding contract, which permits the franchisee to use such conferred rights within a particular market or territory. It may also involve a right to intellectual property (IP).

Licensing
The term 'licensing' refers to the granting of a contract by the first party or owner of a technology (the licensor) to a second party (the licensee), who pays a fee or royalty to the licensor according to an agreed formula. This type of agreement is an internationally recognised phenomenon, which may cover access to IP and rights to manufacture and/or market a product in a designated market or territory.

Contract manufacturing
Contract manufacturing is a commercial arrangement between the owner of a technology and a second party (who possesses the capability and is able to perform such a task) to have products manufactured to an agreed specification at an original equipment manufacturer price.

Industrial cooperation arrangements
Industrial cooperation agreements (for the purpose of this article) relate to other cooperative business arrangements not mentioned above. An example is a collaborative arrangement between two or more enterprises to assemble a joint research and development team to resolve a common industry/technical problem.

Issues to consider in strategic partnerships

While the thought of strategic alliances, international joint ventures, and international licensing can sound complicated and daunting if you haven't considered such a course previously, the steps that need to be taken can be considered in a logical and sequential order.

There are three main stages involved:

1. a self-analysis of your company
2. an identification of business targets and options for achieving your business goals
3. the preparation of your offer in the form of a self-explanatory brief.

Characteristics of a successful strategic alliance

The most fundamental ingredient for a successful strategic alliance is the unreserved commitment of the senior management of both companies to the process.

It is important that the business relationship is fair and equitable in terms of cost, risk, and profit sharing. There must be mutual trust between parties, and companies should look on the partnership as a relationship. There should also be mutual benefits and excellent communication. Regular visits and direct personal discussions should be standard practice.

Growth potential is another important feature of the relationship, and general compatibility in the aims and objectives of both enterprises is important.

A synergy that realises, and maximises, the resources and potential in both enterprises is vital. Considering a competitor as a potential partner can make good business sense if you are confident that your product is vastly superior, and you are able to negotiate enforceable performance clauses. But be cautious.

The value of an appreciation of the cultural differences in the way business is conducted in various countries cannot be overstated in contributing to the success of a business relationship. The 'way of doing business' in a particular country is an extremely important aspect to research before you enter an alliance. ●

The Australian Industry Group can provide excellent guidance through the initial stages of considering a strategic partnership. For more information, email big@aigroup.com.au.

Checklist for success

Use this checklist to help make your alliance successful:

» initial critical self-analysis
» clear and crystallised objectives
» thorough preparation
» defined strategy
» something innovative and unique (i.e., a 'hot product')
» construction of good communication tools
» selection of proven business matching mechanisms
» access to comprehensive briefings and professional assistance
» willingness to undertake market visits
» flexibility
» thorough homework on target company and target country
» existence of the 'right chemistry'
» selection of a partner who is the right strategic fit
» availability of facilitation assistance
» commitment to make it work.

What is a Certificate of Origin?

By the Australian Industry Group

A Certificate of Origin (CoO) is a document that identifies goods, including the place of production or manufacture of goods. It is required by two different stakeholders in the international trade chain when exporting to specific countries' customs agencies, to facilitate customs clearance and the banking system when it's stipulated in a letter of credit. The needs of both systems can vary depending on the product, the destination country and the method of payment.

The CoO supports the claim that the goods are eligible for preferential tariff treatment when the import declaration is made under Australia's existing free trade agreements (FTAs), which provide Australian businesses with more open access into the markets where FTAs have entered into force. FTAs between countries include:

- ASEAN–Australia–New Zealand FTA (AANZFTA)
- Australia–Chile FTA
- Australia–New Zealand Closer Economic Relations
- Australia–United States FTA
- Malaysia–Australia FTA (MAFTA)
- Singapore–Australia FTA (SAFTA)
- Thailand–Australia FTA (TAFTA)
- Korea–Australia FTA (KAFTA)
- Japan–Australia Economic Partnership Agreement (JAEPA)
- China–Australia FTA (ChAFTA)
- Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)
- Australia–Hong Kong (A-HKFTA) and associated Investment Agreement (IA)
- Peru–Australia (PAFTA)
- Indonesia–Australia Comprehensive Economic Partnership Agreement (IA–CEPA)
- Pacific Agreement on Closer Economic Relations (PACER)
- Regional Comprehensive Economic Partnership (RCEP)
- Australia–India Economic Cooperation and Trade Agreement (AI-ECTA)
- Australia–United Kingdom FTA (AUKFTA).

A non-preferential CoO can be used for any other country where a specific format under FTAs is not in use.

The Australian Industry (Ai) Group is approved and designated as an issuing authority by the Australian Government under the International Convention relating to Simplification of Customs formalities of 1924. Ai Group has the authority to issue CoO, both preferential and non-preferential.

As a designated CoO issuing body, Ai Group is accredited by the Department of Foreign Affairs and Trade under its regulatory framework, and the FTA Certificate of Origin Recognition Scheme, which is formally administered by the Joint Accreditation System of Australia and New Zealand.

The following are procedures to be followed when you obtain a CoO:

1. The manufacturer or exporter needs to register with an issuing body to obtain a CoO, supplying a list of signatories authorised to sign the CoO on their behalf. The manufacturer or exporter may be requested to provide supporting evidence of originating claim (for example, copies of invoice, a bill of lading or a statutory declaration).
2. Once the issuing body has conducted an examination on the goods and origin criterion, and registered a company, the company can submit a CoO form through the designated online portal. All the export documents must be typed, signed, and lodged through the online portal by the company prior to them being authenticated.
3. The manufacturer or exporter sends a digital copy or a hard copy of the CoO to the importer or bank where required.
4. The importer sends the CoO to customs authorities in an importing country to claim the preferential tariff treatment for the goods. ●

The Australian Industry Group's International Competitiveness Team is available to assist you in your Certificates of Origin and other export documentation. For more information, email tradedocs@aigroup.com.au or call 1300 776 063.

The Factory of the Future:
enabling innovation in Western Sydney

In the heart of Western Sydney, a transformative vision is taking shape. It's a vision that sees industry and academia working hand in hand, demystifying innovation and creating opportunities for businesses to thrive in a rapidly changing world. The Factory of the Future, situated at the new Western Sydney University Bankstown City Campus, is poised to be a vibrant innovation hub, reshaping collaboration in the region.

A collaborative force

Australia boasts world-class research institutions. These institutions have led the charge in pioneering many global scientific breakthroughs. Meanwhile, the country's industries seek ways to bolster their competitiveness, extending into global supply chains, and unlocking unprecedented technologies and opportunities. There is a clear need for a strategic partnership between industry and academia; however, these partnerships have been traditionally difficult to navigate for time-poor small to medium-sized enterprises (SMEs), who are balancing the tension between business-as-usual and research and development efforts.

The Factory of the Future has been developed to be a solution for the manufacturing sector, providing a collaborative platform for advanced manufacturing-focused innovation and fostering close ties between Western Sydney University and local industry. This innovation hub empowers SMEs and larger enterprises by reducing risks and expediting innovation – enabling local manufacturers to meet global customer demands, access global supply chains, and foster regional innovation. The core strategy involves diverse collaboration, providing access to cutting-edge technologies and tailored innovation services. In addition, the network is supported by an innovation ecosystem, with the Launch Pad business incubator providing the essential mentorship and industry network curation to enable success through connectivity.

Empowering the workforce: an innovation ecosystem

The Factory of the Future will equip individuals and businesses with the skills essential for the future world of manufacturing, such as additive manufacturing, artificial intelligence, autonomous robotics, immersive technologies, cybersecurity, and data analytics. It is designed to cater to a diverse audience, including SMEs, large corporations, students, researchers, academics, startups, entrepreneurs, schools, industry groups, and national and international partners. By providing an environment for upskilling, re-skilling and innovation, it becomes central to developing an innovation ecosystem in Western Sydney.

Beyond the physical space, the Factory of the Future embodies a comprehensive service. Local industries can engage with students, researchers, academics and businesses. Providing services like technology demonstrations, capability development, training, collaborative research, and industry co-location, it serves as a demonstrator, offering support throughout the value chain. Each domain cultivates fresh networks, fostering unique collaborations that go beyond industry boundaries and academic disciplines.

In Western Sydney, the Factory of the Future is not only a place of innovation, but it's also a mechanism for regional transformation, a scaffold for industry growth, and a demonstration of the power of collaboration between industry and academia. •

Prime Minister the Hon. Anthony Albanese is introduced to autonomous robotics that will feature in the Factory of the Future at Western Sydney University's Bankstown City Campus

Exporting skills and knowledge in a global market: the challenges and opportunities

By Anne Younger, General Manager – Policy and Projects, the Australian Industry Group

As the needs of knowledge-based and innovation-driven economies increase, the demand for tertiary education worldwide grows. At the same time, the acceleration in global economic integration is leading to globalised labour markets and spurring on a greater number of internationally mobile students. This mobility is aided by economic, technological, and cultural factors that make international education more affordable and easier than in the past.

Importance of the international education sector

Australia is a large player within the global skills market. Australia's international education and training sector has long been one of the country's largest export industries. This has a direct impact on economic growth; it can drive innovation, increase productivity, attract foreign investment, and foster economic resilience.

Before COVID-19, it was the third-largest contributor to the country's export revenue, after iron ore and coal. In 2020, it was one of the top five destination countries in the Organisation for Economic Co-operation and Development (OECD), along with Canada, Germany, the United Kingdom and the United States. Attracting students from over 190 countries and holding nine per cent of the international student market share globally, Australia was led only by the United States, with 15 per cent of the market share. While COVID-19 had a major impact on our international education sector, it is recovering well.

The sector involves universities, vocational education and training institutions, English language courses, and other educational programs. Direct revenue is earned from student tuition fees; however, the benefits to Australia reach far beyond education and training.

Collaborative research projects and knowledge exchange programs can lead to new innovations, technologies, and solutions that benefit both Australia and its international partners. Cultural exchange is encouraged, promoting cross-cultural understanding, and building stronger ties between Australia and other countries. The collective diversity and knowledge from 190 countries is brought to our education institutions, workplaces, and communities. Some students choose to stay in Australia after completing their studies, contributing to the skilled workforce and our innovation system. Influential alumni networks are created. Soft diplomacy is formed.

Profile of internationally mobile students

The number of internationally mobile students is increasing – a trend is that Australia can take advantage of by examining the profile of this cohort. Key characteristics are:

» In OECD countries, these students are more likely to cross borders to pursue their studies as they reach more advanced levels of education – five per cent of bachelor's students, 14 per cent of master's students and 24 per cent of doctoral students, on average.
» Despite this, a few countries have a greater international profile at bachelor's level, including Australia, where 15 per cent or more of bachelor's students are international.
» In Australia, the share of doctoral-level students is at least 15 percentage points lower than at master's level, which is against the average for OECD countries.
» In OECD countries, 31 per cent are enrolled in STEM programs, which is a larger share than among national students at 23 per cent.
» Students from Asia form the largest group of international students enrolled in tertiary education programs at all levels, representing 58 per cent of all mobile students across the OECD in 2020.

The challenges of staying on top of a dynamic sector

The global skills market is constantly evolving. It is heavily influenced by advancing technology, geopolitical tensions, industry trends, economic conditions and the education systems of different countries. We are faced with an increasingly globally competitive environment in the grab to attract students. Skills shortages are being experienced worldwide, and the changing nature of skills is accelerating.

While there is still enormous potential in overseas markets for Australia to grow its education and training industry, there is a number of challenges – which means maintaining and growing the value of this sector for Australia requires much strategic foresight. The challenges span:

» maintaining consistent quality across exported education and training programs
» acknowledging that different countries have various regulations and standards for recognising foreign qualifications

- ensuring that educational content is culturally relevant and sensitive to the needs of diverse international student populations
- ensuring that our own skilled professionals don't leave the country permanently for better opportunities abroad
- competing with the highly competitive global education and knowledge export market
- considering the cost of our education and training programs for students from developing countries
- concerns about protecting intellectual property rights, especially in collaborative projects
- changes in political landscapes or diplomatic tensions, which affect international collaborations and the flow of students and professionals.

Grasping the opportunities to nurture a strong export knowledge and skills sector

Continuing to build a strong international education and training sector in the face of a dynamic global economy and other challenges requires a balanced and strategic approach that aligns with Australia's long-term economic and social goals. Knowing the influencers of international study mobility is a key in designing efficient policies. The perceived quality of education abroad and the perceived value of host institutions are key criteria.

Australia has an International Education Strategy (2021–2030), which includes:

- diversifying and growing Australia's offshore and online delivery to international students. This recognises that Australian students also benefit from international learning experiences abroad. To do this, the Australian Government will continue to support partnerships and programs that build relationships between our education providers and students internationally, as many have done through the New Colombo Plan and other initiatives
- ensuring global competitiveness by making sure that visa settings continue to support diversification and growth, and align with Australia's skills needs
- promoting Australia's international education globally, with a focus on attributes that set us apart from competitors
- working with domestic and international stakeholders to strengthen the recognition of Australian qualifications to secure further study and employment opportunities for all students that study within Australia.

The 2023 Australian Universities Accord Interim Report – a major review of the higher-education sector – recognises that international education is critical for Australia, and is considering a number of opportunities for change that foster international education. These include ensuring integrity and accessibility of visa pathways, promoting flexibility and innovation in international education, providing a high-quality experience for international students, promoting international commercial use of Australian research capability, and recognising the global engagement role of Australian higher education providers. ●

Social selling for traders: finding your next customer online

By Molly Knox, Advisor – Industry Policy, the Australian Industry Group

The age of ecommerce and social selling has been accelerating since COVID-19 and its associated movement restrictions. The 2023 Global Social Media Statistics report from DataReportal found that there were 4.88 billion active social media users worldwide, which is an increase of 1.03 per cent from the previous year. Of those users, 99 per cent use a mobile phone to access social media.

In our region, social media penetration is gaining momentum, with access to the internet – primarily via smart phones – increasing. Acording to Statista, Brunei has significant active social media penetration at 94.4 per cent, followed by South Korea with 92 per cent as of January 2023. Overall, 61.6 per cent of the total population of South-East Asia is active on social media. A report on e-Conomy SEA 2022 found that the digital economy in South-East Asia was on track to hit $200 billion in gross merchandise value in 2022, three years earlier than forecast.

When done well, social media can attract new customers that are engaging in discovery behaviours (i.e., browsing with no clear product or goal in mind), build trust with the consumer, and educate users on how to use your products and what sets you apart from other products in your category. Globally, there is a significant amount of overlap in audiences across platforms, so you don't have to be on all the channels – pick the ones most suited to your products, your tone and your target market.

There are a number of different social media platforms used by consumers in South-East Asia, and most of them are familiar in the Australian landscape. Some platforms popular in South-East Asia are listed here.

Facebook

Facebook has a large market share across South-East Asia. In a 2019 report, it was found that of the people surveyed about their social media–related online purchases, 78 per cent said they had seen the product on Facebook.

Facebook has a global pages feature that can make it easier to control how your content will surface on the platform, allowing you to offer content in your target market's language and make sure that what you provide to different markets is relevant to them (i.e., promotions relating to cultural festivals).

Post types include photos, videos, photo albums, photo carousels, slideshows and canvases (mobile only), and you can host live streams for interactive experiences, such as product demonstrations.

Facebook shops allow you to create an in-app shopping experience in supported markets (all the SEA-6, bar Vietnam, are supported) and allows you to tag products within images.

Facebook's ability to integrate workflows with Facebook Messenger and WhatsApp is also a great way to make your campaigns and social commerce journey feel more personalised for your customer.

YouTube

YouTube is immensely popular in South-East Asia, with reports showing YouTube's advertisement reach in early 2023 was equivalent to 67.8 per cent of total internet users in the Philippines and 84.7 per cent of total internet users in Singapore, according to a 2023 report by DataReportal.

You can communicate with people about new product launches, how to use your products, and basic maintenance; and give insights into the production process, among other processes, both as pre-recorded videos and live stream. Importantly for exporters, you can add subtitles in multiple languages, meaning that you can make your content accessible even if you don't speak the local language.

YouTube is also great as a hub for your content, as you can then link back to posts on other platforms or mirror other platforms for consistency.

Google is currently testing a new shopping feature for YouTube to help creators and brands sell the products they are talking about in their videos directly.

Instagram

Instagram is a great medium for brands that are highly visual with consumer-based products – think: food, cosmetics and affordable goods that look trendy – and younger audiences. You can post images, stories, long-form videos and reels (short videos that last 15–30 seconds).

Like Facebook, Instagram has an in-app shopping feature for supported markets, and is able to integrate workflows with Facebook Messenger and WhatsApp. For those that have an Instagram shop, the platform also has product tags, which allow you to highlight your products in your images and videos, and allow users to click straight to the product page to learn more. Note that unlike Facebook, Instagram does not have a global page option, so you may need different accounts that reflect the price you are offering for different markets.

TikTok

TikTok is a great platform for creative brands that favour video format and want to capture the attention of younger users. It allows for both pre-recorded videos and live-streamed videos, and has a library of licensed music for you to be able to add engaging soundtracks to your videos. It's a great way to introduce new products and give users tutorials for using your products.

TikTok does not currently have an in-app commerce function, though it has a global partnership with Shopify to enable merchants of the ecommerce platform to create and manage their TikTok campaigns from their Shopify dashboard.

X

X (formerly known as Twitter) is a platform for brands that are willing to be responsive, thoughtful, conversational or playful. Brands that can get their messages across in small amounts of text (maximum 280 characters), with the aid of images and videos, are ideally placed to succeed in this environment.

While other platforms have polling features, X's is more complex, letting you list more options for users to select from.

X does not currently have in-app ecommerce features, though it is currently developing its own integrated ecommerce module.

Pinterest

Pinterest is a platform for discovery and aspirational shoppers, and is more frequently used by younger generations. A report from GWI using global data from 2020 shows that Pinterest users are more likely to have used the platform for design inspiration, food ideas, fashion and beauty inspiration, and health inspiration. Pinterest, like TikTok, has an agreement with Shopify to make it easier to integrate the social media into a wider ecommerce strategy.

There are a variety of 'pins' (posts), including product pins that display the prices, standard image pins, video pins, idea pins (similar to stories on Instagram) and collections – which let you include multiple images as a curated style.

Remember that, like Instagram, Pinterest requires you to use high-quality imagery and videos to make maximum impact and stand-out from the crowd. If you're targeting multiple markets with

different local languages, you'll need to create duplicate pins for each market to make them accessible to the market with text overlays.

LinkedIn

LinkedIn is a professional networking platform owned by Microsoft. It's a great place to share white papers, professional events, product updates, professional achievements and more. LinkedIn is suited to industrial and business-to-business products and services.

LinkedIn does not have a built-in ecommerce feature for products, although there are opportunities for some to create income streams through LinkedIn Learning.

LinkedIn offers plain text posts, photo posts and video posts. In addition, there are functions to list events and to create articles on the platform, creating formatted pages with all the relevant information. Adding a link to a text post will automatically create a link preview below your copy, meaning you can link back to your other content, such as a video on your YouTube account.

There are also some smaller social media networks in South-East Asia that have a presence in only some of the SEA-6, such as Vietnam's Zalo, WeChat (based in China, but used in the SEA-6 to varying degrees) and LINE, a platform from Japan that has popularity in Thailand and Indonesia.

Methods for choosing your platform

Choosing which platforms suit your business is always going to be a data-driven choice, so make sure you do market-specific research on what app the demographics most relevant to you are using. Ensure your brand matches the tone of the platforms you join, and that you are willing and able to produce high-quality content for platforms that rely on image or video posts.

One emerging trend in the region that relies on this high-quality content is live selling – presenting a live stream and having users place orders for the product while watching, whether through the ecommerce features of the platform or integrated workflows.

Like traditional marketing, you need to have strategies in place for your accounts and make sure you are consistent in your approach on each platform. Remember to be authentic to your audience. For example, if your target audience is more mature or in a target ethnicity, make sure any models you use are representative of who you're selling to.

If you do not have in-house speakers of the languages present in your target markets, you may need to seek help from a third party, such as a communications agency or market-specific advertising agency. Likewise, engaging a specialist partner can inform your strategies in regard to cultural sensitivities and potential faux pas.

Social selling should be part of your overall export strategy, so consider if you want to sell to customers in these countries directly (either shipping from Australia or using a cross-border fulfilment service), or if you want to use your social media presence to raise brand awareness and drive traffic for that market to a local distributor, partner, or an ecommerce marketplace that you have a presence on (i.e., Amazon, eBay, Shopee or Lazada).

You may also need to do rigorous research on any legal or financial requirements that apply to ecommerce in the markets you are entering, and any free trade agreements Australia has with your target markets that have digital trade-related chapters. Some countries have an embedded practice of 'cash on delivery' as the preference rather than online transactions, so make sure you factor this into your market research.

There are potential customers exploring new products and services on social media: Are you going to be their next discovery? ●

Carbon border adjustment mechanisms: What do they mean for your business?

By Tennant Reed, Director – Climate Change and Energy, the Australian Industry Group

The formerly obscure topic of carbon Border adjustment mechanisms (CBAMs) is now red hot. The European Union (EU) has adopted a CBAM to phase in from late 2023. The Australian Government is now considering whether Australia should follow suit. So, what's it all about? And how might your business be impacted?

The core issue is 'carbon leakage' – the fear that clamping down on greenhouse gas emissions will see vulnerable industries like steel or cement relocate to places with lighter carbon restrictions. Despite the Paris Agreement committing all significant economies to emissions reductions, that fear remains for three reasons:

- nations are still moving at different speeds
- economies with serious carbon prices implement them carefully to avoid a loss of competitiveness
- emissions targets are deepening to the point where incremental efficiencies are not enough, and industries need to make transformative investments in near-zero emissions production processes, which often have significantly higher costs.

A single uniform global carbon price is not coming any time soon, if ever. The world will stay messy, even as it broadly moves towards reducing carbon emissions. So, what can we do about carbon leakage?

The Australian Government's review, headed by respected Australian National University Professor Frank Jotzo, will ponder that question with public input over the coming year. The familiar existing options are unsatisfactory. We could not have a climate policy and achieve nothing. We could give emissions rights for free while gradually reducing them – this is the way the current Safeguard Mechanism works – but a clash will soon emerge between the pace at which entitled emissions have to fall to hit targets, and the costs that industry can bear while remaining competitive. We could pay industry to invest in clean production; but while funding surely has some role, the budget can't sustain endless operating subsidies.

That leaves CBAMs as a very interesting option. A CBAM seeks to level the competitive playing field for products that might otherwise fall victim to carbon leakage. An economy that imposes an explicit carbon price might do either of two forms of CBAM for products of concern:

Import adjustment: The carbon price facing domestic producers is also imposed on imports of like goods by requiring importers to buy emissions rights at the border. The result is that all suppliers of affected products, like steel, to the domestic market face a carbon cost or the cost of zero-emissions production; selling prices will rise; and, over time, cleaner suppliers will be more profitable than relatively high-emissions suppliers.

Export adjustment: The carbon costs incurred by producing or importing goods are waived or rebated, in whole or in part, if they are exported. The result is that production for export markets does not face a carbon cost unless that is imposed by the export market itself.

Many observers agree that a genuinely non-discriminatory and even-handed import adjustment could be fully compatible with World Trade Organization commitments, and this is what Europe is seeking to do. There is much less agreement about export adjustments, but this will be a vital question for Australia to consider given the importance of sensitive export-oriented industries like alumina and aluminium.

The Australian Industry Group has been at the forefront of research on CBAMs[1], and is open to this option. But we've been clear that any Australian CBAM would need to:

- be about supporting effective emissions mitigation and building more credible markets for low emissions goods
- respect our World Trade Organization and bilateral trade commitments, facilitating non-discriminatory trade rather than discouraging it

» be practical to implement, minimising transaction costs and tightly focusing on goods that matter.

The Australian Government has said it will consider a CBAM, but a decision on actually adopting one won't be made until the end of 2024 at the earliest, and it is hard to see one being implemented before 2026/27.

How would a CBAM affect you if it came about?

Most products would not be directly affected. Only a few products are currently so emissions-intensive that a carbon price can make a substantial difference to competitiveness. The EU is starting with aluminium, cement, fertiliser, hydrogen, iron and steel, and imported electricity. Australia is looking first at cement and steel. The circle may widen over time, but only so far.

Under the EU approach, which Australia might learn from but need not simply copy, imports of bulk steel or simple steel products like pipes will need to declare at the border their embodied emissions. If that data isn't supplied, or if the EU doesn't trust it, defaults apply. First, an average emissions intensity for like products in the country of origin; or, if that isn't available, a default based on the least-efficient 10 per cent of production of like goods in Europe. That provides a strong incentive to supply data that has been verified by trusted parties.

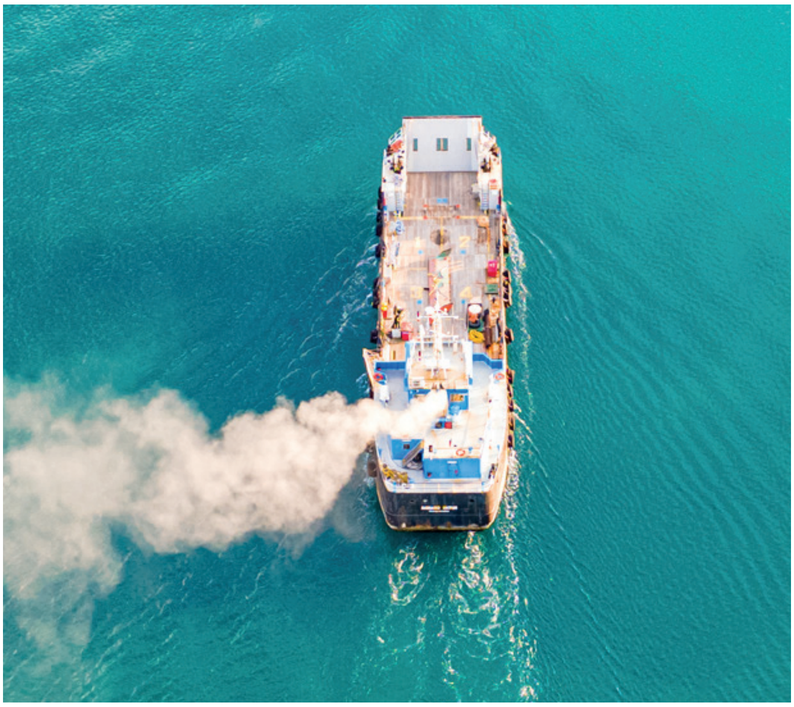
For fairness reasons, importers' CBAM liabilities in Europe will be reduced in two ways – first, to reflect free emissions rights given to European producers, which will only gradually phase out through 2034; and second, to reflect any mandatory carbon costs they have already paid at home. Australia is currently working to ensure that Europe will recognise any Safeguard costs paid by Australian exporters.

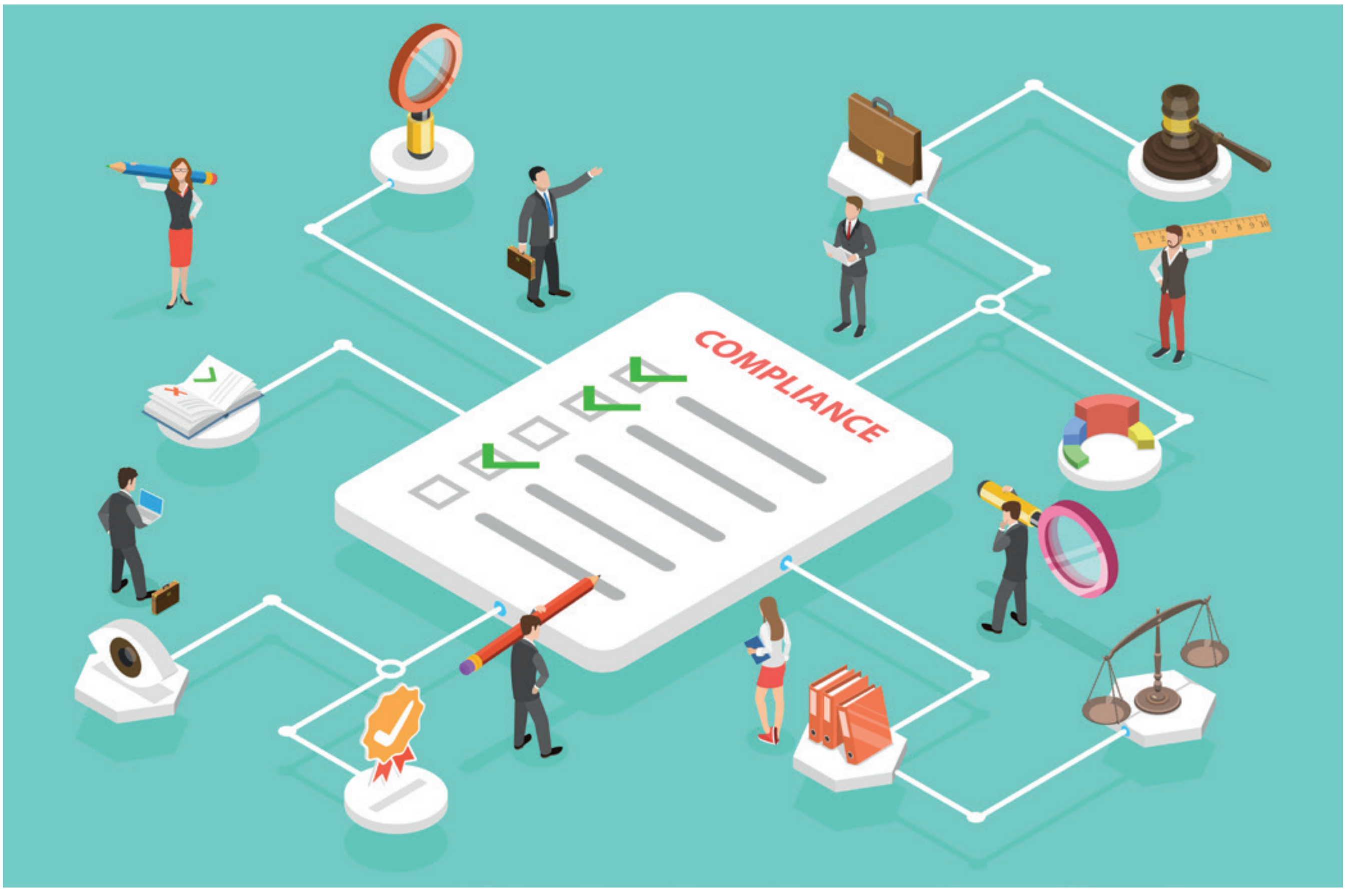
The European CBAM has led to grumbling from many nations, particularly African developing countries, that they will be disadvantaged by paying a trade tax to Europe; however, this looks like a misunderstanding. The cost of Europe's CBAM will fall on European consumers, who will pay a bit more for some of the goods they consume. Businesses that invest in cleaner production, wherever they are located, will find Europe's market more profitable once CBAM is in force.

In any case, Europe is steaming ahead, driven by the need to reconcile tough climate targets with its desire to grow clean industry. Australia is a few years behind the EU, but we face the same pressures. How will we respond? ●

This article is correct at the time of writing (October 2023), but concerns a fast-moving issue where policy in Australia and abroad is currently changing. Please seek up-to-date information on new policy developments relevant to your business.

1 https://www.aigroup.com.au/news/policies/2021/swings-and-roundabouts-the-unexpected-effects-of-carbon-border-adjustments-on-australia/





A compliant supply chain is a happy supply chain

By Andrew Hudson, Partner, Rigby Cooke Lawyers

The international supply chain has experienced significant interruption in our recent past. The combined effects of the COVID-19 pandemic and the conflict in Ukraine have led to reductions in available goods, and fewer sea and air cargo services to move those goods. This increased cost in the supply chain has made governments and their agencies, as well as importers and exporters, work together to facilitate trade in a manner that was rarely seen in the past.

Even with signs of slow recovery in the world economy, the nature of the supply chain has been subjected to new examination, with costs no longer being the predominant criteria. Participants are now reviewing their supply chain arrangements, with an increased emphasis on sustainable and reliable arrangements with trusted parties who provide a high level of confidence in the services that they provide.

Further, the issues of concern in the supply chain have also changed, with increasing consideration of environmental, social and governance issues, which impose additional obligations that need to be incorporated into planning. At the same time, international organisations, national governments and their agencies are working to develop arrangements to facilitate movement of goods through the supply chain without compromise to the collection of revenue, and stopping illicit and dangerous goods.

But even with the evolution of the supply chain and the efforts of international governments and their agencies, the importance of compliance with relevant legal provisions remains a vital consideration. Failure to comply with legal requirements can have several adverse consequences, including stopping the departure or arrival of goods, seizing goods while they are moving through the supply chain, exposure to actions for recovery of underpaid duties and taxes, as well as potential liability to civil or criminal penalties for noncompliance with relevant laws.

The world of compliance with requirements of border agencies is extremely complex and cannot be comprehensively summarised in this article. Even so, there are a few fundamental issues worthy of considering. These include:

» Don't overlook compliance as an important part of the due diligence process before embarking on trade moving goods across international borders.
» Ignorance of legal requirements at the border affords no defence to compliance action by border agencies; however, those border agencies may take a lack of expertise into account when deciding whether to impose penalties, or the quantum of those penalties, and any other enforcement action.
» The absence of any intent to contravene legal requirements at the border will also be irrelevant to the imposition of penalties. Many offences are imposed on a 'strict liability' basis, with few defences or exceptions – intention is irrelevant. Other offences operate on an 'absolute liability' basis, for which there are even fewer defences, if there any defences at all. These reflect the serious approach to those offences. A prime example of an absolute liability offence is the prohibition against imports of asbestos or products containing asbestos.
» Compliance obligations are imposed both at the time of the import and export of goods, as well as during the movement of goods through the supply chain.
» Compliance is a moving target. Changes to compliance obligations affecting the movement of goods take place on a regular basis, often at short notice. Both the COVID-19 pandemic and the conflict in Ukraine led to significant changes to the international border regime, including reducing some import duties, increasing other import duties, and adding new export and import controls on prescribed goods – whether by way of sanctions or other controls. In another example, Australia's brown marmorated stink bug (BMSB) season commenced on 1 September 2023, meaning that all cargo from certain 'target' countries must undertake an additional form of fumigation and preparation before they leave those countries. This is required to stop the threat to the Australian agriculture sector from an infestation by BMSB. In large part, fumigation in Australia upon arrival is not permitted.
» The variety of free trade agreements (FTAs) in place for Australia can provide duty-free or reduced duty for their exports and imports; however, failure to follow the terms of the FTAs can lead to the goods being treated as entitled to preferential treatment, leading to demands to pay duty and potential penalties.
» For many goods, import permits are required by relevant border agencies. Those permits will need to be in place before the goods leave for their shipment to Australia and permits cannot be secured when it comes to import into Australia. That can cause the goods to be denied border clearance.
» If you are exporting goods from Australia, your commercial arrangements may require you to undertake border clearance in the country to which the goods are being exported. This is not a task to be taken lightly, as it could lead to exposure to liabilities in those countries. Professional help is vital to ensure compliance at the overseas arrival point.

The Australian border is a remarkably complex place. According to recent research, there are 29 government agencies with jurisdiction of goods at the border who administer over 200 pieces of legislation, plus associated regulations. Compliance with this regime can be difficult and it can also represent a barrier to trade; however,

there are several resources available that are worth considering before entering trade. A non-exhaustive set of recommendations are set out below:

» Spend time on due diligence before you even start your trading experience. That due diligence is not only limited to customs and biosecurity expertise, but also to seeking to protect your intellectual property in overseas markets.
» Join the Australian Industry (Ai) Group and secure the benefits of the many trade experts at Ai Group, as well as having access to relevant information. Ai Group can also put you in touch with relevant assistance in other countries where you are trading.
» Take advantage of resources and expertise provided by the federal government (Austrade) and by many state governments (for example, Global Victoria). The resources not only include representatives in Australia and regular updates, but also representatives in many overseas countries.
» Look for assistance from reputable licensed customs brokers and freight forwarders through their relevant industry associations. Ask for referrals to those intermediaries with specific expertise in the goods and countries where you intend to trade.
» Join with other industry associations dealing with specific countries or specific goods. For example, those involved in food and beverage importers would be well-advised to consider joining the Food and Beverage Importers Association.
» As time passes and trading experience grows, consider retaining an employee with compliance experience relevant to your business. There has been an increase in numbers of trade compliance officers being employed in various companies, especially in the United States and the European Union, to facilitate movement of goods and managing supply chain obligations.
» Border agencies have programs in place to support regular compliant traders, such as the Australian Trusted Trader Program. There are a number of real commercial benefits from the program, including deferral for duty payments, reductions in cargo reporting obligations, and the appointment of an account manager to help with dealing with border agencies.

Ultimately, compliance is vital to minimise the impediments to trade and maximise the benefits of trade, as well as avoiding unnecessary costs, charges, and penalties. ●

Australia–India Economic Cooperation and Trade Agreement – Can it benefit you?

By Catherine Gallagher, Head of Austrade, South Asia

The Australia–India Economic Cooperation and Trade Agreement (AI-ECTA), which came into force in December 2022, was India's first trade agreement with a major economy in over a decade. It has unlocked opportunities for Australian exporters across key sectors, including agriculture and food, energy and resources, health, financial services, infrastructure, and science and innovation.

As a result of the trade deal, over 85 per cent of Australian trade exports to India now enter duty-free. This will rise to 90 per cent in the coming years. In addition, India's high tariffs will be substantially reduced for products such as wine and almonds.

Australian exporters are already taking advantage. In the first six months of the deal, our businesses benefited from lower tariffs on more than $12 billion worth of exports.

Australian exporters grow and diversify in India

Australian businesses are finding new opportunities to grow and diversify exports to India.

The diverse South Asian market is one of the world's fastest-growing economies, driven by a young population and a rising consumer class.

As India grows, so does demand for premium Australian produce, products and services. In the past seven years, our two-way trade has more than doubled, and India has risen to be Australia's sixth-largest trading partner.

Strengthened by the commitment of both the Australian and Indian governments to improve economic ties, Australian businesses now have a first-mover advantage in the lucrative Indian market.

Growing demand for premium produce

Australia's reputation for premium food and beverage products is strong in India. A growing consumer class has a taste for Australian products – from our seafood to our citrus varieties, and our world-class wines.

India provides a long-term opportunity for exporters to grow and diversify, with food consumption becoming more diverse and trending towards premium lamb, seafood, fruit, vegetables, and wines.

Australia's producers have been quick to take advantage of AI-ECTA tariff reductions, and have found opportunities catering to India's growing market of 1.4 billion consumers.

Premium Tasmanian salmon producer Tassal has used tariff cuts under AI-ECTA to enter the market for the first time.[1] Prices are now more competitive. Australian salmon has a significant competitive edge over other salmon-producing countries, such as Norway.

AI-ECTA has reduced tariffs on Australia's fruit and vegetables, which are sought after by Indian consumers for their clean, green reputation. For example, oranges, mandarines and pears have seen a 50 per cent tariff reduction for in-quota exports.

These benefits have encouraged citrus exporter Nutrano to shift focus to India.[2] The company already exports counter-seasonal mandarines to India; however, with lower-end prices, Nutrano plans to grow its market by moving bigger shipments to target a larger market.

Australian wine producers are also benefiting from the new trade agreement. Already the leader in the imported market, with a 44 per cent share, AI-ECTA cements Australia's position ahead of key competitors Italy, France and Chile. Under the agreement, Australian wine priced at US$15 per bottle or more has had the 150 per cent tariff reduced to 75 per cent. This will reduce annually over 10 years, with a final tariff rate of 25 per cent. Tariffs on wine priced between US$5 and $15 have fallen to 100 per cent, and will decrease to 50 per cent after 10 years.

South Australia's Torbreck Vintners is one exporter that has already benefited from the competitive advantage that AI-ECTA's tariff reductions provide.[3] The end price of its premium Barossa wines dropped eight per cent, making Torbreck more accessible to Indian consumers.

Powering India's transition to net zero

Our growing trade relationship is also forging new opportunities to support India's transition to net zero. AI-ECTA has slashed tariffs on several of Australia's critical minerals, such as lithium and cobalt, which India needs to achieve its goal to lower carbon emissions and boost electric vehicle production.

Australian resources companies like Western Australia's Iluka Resources are taking advantage of reduced tariffs to supply growing demand for critical minerals, such as zircon and mineral sands. This demand is expected to grow as India moves to lower carbon emissions and develop a global manufacturing hub.

Joint programs and initiatives on critical minerals; mining equipment, technology and services; solar; and hydrogen are opening new doors for partnership, and are producing further trade, investment, and research collaboration opportunities across the green economy.

Skills and education partnerships spark new opportunities

Australia's world-class universities, vocational schools and service providers are well-placed to grow in India's burgeoning education market. The recent joint recognition of qualifications by both countries is opening a world of possibilities for Indian and Australian institutions to develop flexible and innovative partnerships.

This year, Deakin University was the first university to be approved for a foreign branch campus in India, with the University of Wollongong also approved, and both are planning to begin operations in 2024 in Gujarat International Finance Tec-City. The University of Melbourne announced a major expansion of its dual bachelor of science degree program with the University of Madras, Gandhi Institute of Technology and Management, and Savitribai Phule Pune University.

Austrade supports Australian businesses in India

With the bilateral relationship at an all-time high and AI-ECTA providing unmatched access to India's market, now is the time for Australian exporters to explore opportunities to diversify and grow.

Through the Australia-India Business Exchange, Austrade is working alongside the Australian Industry Group to support Australian exporters to grow their understanding of the market, to identify opportunities and to make connections on the ground in India. ●

End notes

1 https://www.austrade.gov.au/en/news-and-analysis/news/tassal-reels-in-export-success-thanks-to-trade-agreement-with-india.html

2 https://www.austrade.gov.au/en/news-and-analysis/news/india-trade-deal-means-fresh-prospects-for-australian-fruit-exporters

3 https://www.austrade.gov.au/en/news-and-analysis/news/fta-gives-premium-australian-wines-a-first-mover-advantage-in-india

ESG and global trade

By Neha Kumar, Legal Assistant, the Australian Industry Group

Environmental, social and governance (ESG) is a system of factors that are enlisted by corporations to evaluate how businesses operate in the context of the environmental and social impacts that their operations have on employees and broader communities. In the context of global trade, ESG is increasingly becoming a key focus of businesses across the globe, with more directors and investors developing a mindset for ethical and sustainable methods to conduct businesses.

Because of this increasing need to promote sustainable business practices, it has become commercially desirable for businesses around the world to embrace comprehensive ESG practices. This article seeks to examine ESG in the landscape of global trade, and highlight the challenges and opportunities for your business in complying with ESG practices and regulations.

What is ESG?

The three aspects of ESG are forever changing to keep pace with society's constantly evolving views; however, the one thing that remains unaffected is that businesses – big and small, are held to the standard of work their organisation does to address the social and environmental impacts of their operations. This is crucial as business investors are making investment decisions based on how businesses rank on the ESG scale. Therefore, a business's ESG performance can have significant impacts on its reputation and, ultimately, their performance financially. In summary, the aspects of ESG are as follows:

Environmental

With the rise in environmental consciousness, there has been an increased expectation for businesses around the world to 'think green'. Because of this, a company's impact on the environment has been a key consideration in creating or continuing business relations. This includes evaluating the business's effect on:

» energy usage
» generation of waste
» biodiversity
» climate change
» greenhouse gas emissions.

Social

The social aspect of ESG outlines the increasing global focus on the social impacts of a business. More specifically, investors place great importance on how a business supports and treats its employees, its customers and its community. This can include the business's implementation of:

- policies addressing discrimination, harassment and bullying
- acknowledgements of cultural heritage and Indigenous rights
- compliance with integral human rights
- community engagement to address the impacts of business operations
- inclusion and diversity in the workplace
- privacy and data protection
- product safety
- ensuring the integrity of supply chains.

Governance

Lastly, good governance is an essential factor, with the increasing trend for businesses to have greater transparency and corporate responsibility. This is significant in the assessment of risk and the value that businesses hold. This aspect highlights how businesses are being governed, the integrity they hold, and the accountability mechanism they have in place. This can include:

- board independence, ethics, structure and diversity
- ethical practices
- complying with industry regulations
- compensating executives
- anti-bribery polices
- anti-corruption policies
- anti–money laundering policies
- the financing of counterterrorism.

ESG in the evolving landscape of global trade

Globalisation has led to many businesses relying on complex international supply chain networks, involving many businesses across many different countries. This has led to a rapid global movement towards ESG disclosures in business practices to allow for effective risk management and increase global sustainability.

Many jurisdictions, such as the United Kingdom, the United States and the European Union (EU), have strict ESG reporting requirements and criminal prosecutions as enforcement measures. For example, private companies operating within the EU generating a specific amount of revenue are required to provide disclosures and produce a report covering ESG topics, such as climate change and working conditions. The adoption of mandatory disclosures concerning business ESG activities has led to predictions that many countries will turn to adopting cohesive mandatory ESG disclosure requirements to promote global sustainability.

There has been rapid increase in international schemes and initiatives to encourage businesses to report their ESG performance. For instance:

- The International Sustainability Standards Board publishes sustainability standards, outlining the general requirements for all businesses to disclose climate and sustainability-related risk in their annual reports.
- The Global Reporting Initiative has created universal standards for reporting processes.
- The International Integrated Reporting Council has created frameworks for integrated reporting of the organisation's strategies, performance and governance.

Despite this, such international standards are not mandatory 'hard law' obligations. In fact, many countries, including Australia, have no specific ESG laws that require businesses to undertake ESG reporting practices. Rather, there are laws relevant to the different aspects of ESG that create legal obligations for businesses, such as modern slavery, anti-bribery and environment protections laws.

Nevertheless, the Treasury has recently conducted consultations to introduce mandatory ESG reporting in Australia by 2024 for large corporations, in line with the global trend of countries introducing mandatory laws in the landscape of global trade.

Consequently, businesses with either global or domestic ventures need to be aware of their local ESG disclosure requirements.

Challenges

With increased ESG disclosure practices comes very different and complex reporting practices in each jurisdiction. Many have argued that ESG

practices in global trade will become another level of nuisance in the due diligence required within business processes; however, as ESG becomes part of the global standard approach in business relationships, the simpler practices have been predicted to become as it will be a 'uniform step' for all businesses globally.

Moreover, there has been increasing concern over greenwashing. This is where businesses exaggerate or publish misleading ESG achievements and efforts, due to the pressure for businesses to have good ESG accomplishments in a competitive global market. To circumvent such challenges, institutions, such as the Australian Securities and Investments Commission, have undertaken enforcement actions against businesses that have misrepresented their business practices to circumvent such issues.

Opportunities

The due diligence of businesses in taking steps to comply with ESG frameworks has seen significant opportunities, such as:

- the retention of employees
- sustainable supply chains
- increased opportunities for new business ventures
- attracting investors
- increased revenue
- growth
- improving corporate reputation.

For instance, Philips, the global healthcare technology company, integrated key performance indicators, both financial and non-financial, in executive decision-making to show how its ESG actions benefit its stakeholders. Through this, the company created value for the stakeholders through increasing access to health care and improving lives, meeting the United Nations Sustainable Development Goals and furthering the company's reputation as a sustainable business.

With more businesses expected to engage in ESG reporting, it has become increasingly crucial for businesses to have reporting policies in place for long-term global success. ●

For more information and guidance on compliance with the regulatory standards of ESG activities, email compliance@aigroup.com.au.

Innovative Capral builds
towards a stronger green future

A leading manufacturer of extruded aluminium is ideally positioned for increasing use of its lightweight products.

A major investment program by Capral has expanded its manufacturing capability in semi-fabricated aluminium products and underpinned a strong period of growth.

Capral CEO Tony Dragicevich says the company is driving innovation in extruded aluminium manufacturing, helping organisations position for decarbonisation, and reducing Australia's reliance on aluminium imports.

'Capral is adding value to more aluminium products, across more industries,' says Dragicevich. 'That's good for local manufacturing and jobs. Longer term, an expanded local capability in aluminium innovation reduces global supply chain risks.'

Capral, an ASX-listed company, has an important position in the local aluminium sector. Established in 1936, Capral is the market leader in aluminium supply to fabricators and distributors, principally in the residential, commercial, and industrial sectors.

As the only national manufacturer of extruded aluminium, Capral has significant scale and resources – including six manufacturing plants, eight extrusion presses, 20 distribution sites across Australia, and over 1000 employees.

Capral has expanded its capability over the past few years. In 2019, it completed a restructuring of its largest manufacturing operation at Bremer Park in Queensland. In 2021, Capral acquired the GJames extrusion plant at Smithfield in Western Sydney.

In addition to successfully integrating the Smithfield plant, Capral upgraded its Penrith extrusion press and commissioned a paint line at its new Huntingwood distribution centre this year. That gave Capral its first powder-coating capability in New South Wales, and created significant freight savings and service benefits for its customers.

'These and other strategic initiatives are positioning Capral for its next growth phase,' says Dragicevich. 'The investments enable Capral to be more innovative and agile, work closer with our customers, and expand into new markets. We are responding to our customers' needs for more sophisticated and sustainable aluminium products.'

Capral's approach is working. The Sydney-based company delivered a record profit in 2022, and estimates that its market share has grown to 28 per cent from 25 per cent three years ago.

'We're pleased with Capral's progress and the integration of its new assets,' says Dragicevich. 'The customer response has been very encouraging, but there is a long way to go as we add more value for customers across more industries.'

Sustainability leader

Dragicevich says new demand for extruded aluminium is emerging as companies favour aluminium for its light weight and strength.

'Over the past decade, we've seen increased demand for aluminium as a "green metal" substitute for other materials,' says Dragicevich. 'Products that were traditionally made out of steel or timber are using lighter materials to reduce their carbon footprint.'

Capral has positioned itself as the sustainability leader in extruded aluminium manufacturing in Australia. In 2020, Capral formed a National Sustainability Committee to guide its road map to achieve net-zero emissions by 2050.

In late 2022, Capral introduced LocAl® into Australia. LocAl is a certified lower-carbon primary aluminium option available across Capral's locally manufactured extruded aluminium products. The two options are LocAl Green and LocAl Super Green.

Carbon emissions from LocAl Super Green are 75 per cent lower compared to the average for primary aluminium, making it the lowest-carbon aluminium available globally.

This year, Capral achieved Aluminium Stewardship Initiative certification for LocAl. Capral introduced a company-wide policy to monitor carbon emissions through its supply chain, and support its environmental stewardship. Almost a third of Capral's aluminium raw material is now offered on a low-carbon basis – a figure growing quickly off a low base.

'As Australia's energy grid and local smelters decarbonise, Capral can offer customers a large supply of locally sourced low-carbon aluminium,' says Dragicevich. 'We have been an early mover in this space and intend to build on our leadership position in aluminium sustainability.'

Capral's sustainability focus extends to recycling. Through its work with two key smelters – Tomago Aluminium in Newcastle and Boyne Smelters in Gladstone – Capral is developing initiatives to recycle and remelt more aluminium locally.

'We want to develop a stronger circular economy for aluminium in Australia, and move away from the current practice where nearly all aluminium is sent overseas for remelting,' says Dragicevich. 'Aluminium is an energy-intensive material, but can also be continuously recycled. We need to do more of that recycling locally.

'Over the next five years, I am certain that Capral will be viewed as having the strongest green credentials in our market, and as a sustainability leader in the global aluminium industry. We have a deep commitment to reducing carbon emissions from our product through our environmental, social and governance work,' Dragicevich adds.

Reducing supply chain risk

Capral's expanded local capabilities are timely. Many global supply chains, particularly from Asia, clogged up during the COVID-19 pandemic. Rising sovereign risk is encouraging more companies to move larger parts of their supply chain back to their home country – a trend called 'reshoring'.

Aluminium imports to Australia have fallen from almost 40 per cent market share at the start of COVID-19 to around 30 per cent today, estimates Capral.

Dragicevich says there has been noticeable change in sentiment towards sourcing aluminium. 'After COVID-19, there has been greater interest in using locally manufactured extruded aluminium. Customers recognise there is far greater supply chain risk and longer lead times with imports. It doesn't take much to go wrong with global aluminium supply for local firms to be left high and dry.'

Capral continues to advocate for fair trade for Australian aluminium manufacturers. It works with Australian Border Force and the Anti-Dumping Commission to safeguard against the dumping of aluminium in Australia at below market prices.

Last year, Dragicevich joined the Board of the Australian Aluminium Council, the peak body representing the local aluminium industry. He is passionate about the protection of our aluminium industry and adding value to aluminium manufacturing locally.

'Capral's investment means it can support more Australian manufacturers with comprehensive aluminium extrusion, distribution and supply,' he says. 'Capral has world-class finishing, machining and fabricating technology; access to the lowest-carbon aluminium; and a unique national footprint. We're doing things in extruded aluminium that haven't been possible before in Australia. It's an exciting time for Capral, as we lead local innovation and sustainability in aluminium manufacturing.' •

To learn more about Capral, visit www.capral.com.au.

Doing trade in the defence industry

By Tyler McDonald, Defence Industry Adviser, the Australian Industry Group

The defence industry plays a vital role in shaping a nation's security, driving technological advancement and fostering global cooperation. In today's interconnected world, the importance of global defence trade has grown significantly.

Given finite demand within the Australian Defence Force, the Australian defence industry stands to gain by exploring foreign markets. Australia's global competitiveness is evident through export accomplishments spanning a wide range of capabilities, from armoured vehicles to cutting-edge naval vessels. It is worth noting that defence exports encompass not only military hardware, but also critical services like testing and evaluation.

Participating in defence trade can yield substantial benefits for businesses; however, it's crucial to understand the complex and tightly controlled nature of defence trade due to the sensitive nature of the products involved. Rigorous rules and stringent supervision are in

place to govern defence exports – effectively managing the legal, regulatory, and ethical aspects is of the utmost importance.

Navigating the regulatory terrain

Exporting defence industry technology products requires skilfully navigating a complex set of regulations. This involves getting permits and licenses, classifying products, and confirming who will use them and for what purpose. In addition to these basic actions, it is crucial to follow international agreements, embargoes, and the possible effects of the US International Traffic in Arms Regulations.

Laws and Regulations

Defence export controls: Australia has stringent defence export controls administered by the Department of Defence. You need to comply with these controls, including obtaining permits for exporting controlled goods and technologies.

Customs and export laws: Familiarise yourself with Australian customs laws and export regulations, including any restrictions on the export of certain goods to specific countries or regions.

International agreements: Australia is a signatory to various international agreements that govern the export of defence products, such as the Wassenaar Arrangement and the Australia-United States Defence Trade Cooperation Treaty.

The Defence Trade Controls Act (DTCA) is a critical piece of legislation governing the supply, publication, and brokering of defence and strategic goods and technologies. It is designed to ensure responsible handling of sensitive information and controlled technologies to prevent unauthorised access and export. Australian businesses involved in defence trade, along with their international counterparts, must strictly adhere to the guidelines set forth in the DTCA to maintain the integrity and security of sensitive defence-related materials.

The Defence Export Controls (DEC) unit within the Department of Defence serves as Australia's regulatory body for exports involving military and dual-use goods and technology. The DEC collaborates with exporters to ensure compliance with export control laws, and provide industry outreach, educational programs, and support for defence exports.

A company must obtain an export permit from the DEC to export items listed on the Defence and Strategic Goods List (DSGL). These items include:

» military goods and technologies explicitly designed or adapted for military use, as well as those inherently lethal, incapacitating or destructive
» dual-use goods and technology originally intended for commercial purposes, but capable of being used as components in military systems or for creating weapons of mass destruction.

The DSGL is regularly updated to mirror changes in international non-proliferation and export control agreements. Applications involving exporting, supplying, brokering, or publishing DSGL-listed items undergo evaluation on a case-by-case basis.

The DEC has developed a DSGL self-assessment tool to help exporters to determine if their goods, technology, or activity are controlled under the DSGL.

Trade tips

Get expert advice
Laws and rules can change, so stay current on export controls and international trade matters. To effectively handle these regulations, consult experts and relevant authorities, and plan carefully. This ensures responsible, legal exports, while also safeguarding national security and international stability.

Leveraging government support
Engage with government agencies that offer support for defence exports, such as grants, subsidies and trade missions. Collaboration with government bodies can provide access to resources, information and networks that facilitate international trade.

Trade partners and markets
Navigating the diverse regulatory landscapes of different countries poses a significant hurdle. Each nation has its own export control regulations, trade sanctions, and licensing requirements, adding complexity to trade transactions. Australian defence businesses must meticulously navigate these regulations to avoid legal complications and penalties.

The Australian Defence Export Office (ADEO) assists local defence businesses in securing international contracts. Serving as the central coordinating hub, ADEO collaborates with global defence attachés, Austrade Business Development Managers, and Australian agencies to facilitate defence industry exports. It tailors its support to individual companies, offering aid throughout the export process.

ADEO provides opportunities like participating in trade shows and trade missions, featuring in the *Australian Defence Sales Catalogue*, and government-to-government sales. It also offers grants, loans, and advocacy, backed by an international network. ADEO conducts trade missions and events both domestically and internationally, focusing on specific occasions and promoting them when applications are open.

Industry collaboration for mutual growth
Collaboration is a core defence industry principle, benefiting local and global firms. Partnering with international companies expands opportunities, boosting the global impact of Australian defence capabilities. By working together, we share technology, conduct joint research, and pool resources, sparking innovation and accessing larger markets. Such partnerships enhance defence products and drive business expansion into new areas.

Unlocking growth through dual-use technology
Recognising the potential of dual-use technology offers defence industry exporters

a range of strategic advantages. Developing products that have applications in both military and civilian contexts allows exporters to access broader markets while boosting their global competitiveness.

Innovative dual-use products, like advanced electronics and specialised materials, can extend beyond the military domain, finding relevance in sectors such as telecommunications, health care and infrastructure. This kind of diversification reduces dependence on defence budgets and enhances financial stability – a crucial protective measure.

Strategic investments in dual-use technology not only drive innovation, but also position exporters as pioneers in research and development. This distinction acts like a magnet, attracting partners and customers seeking cutting-edge solutions for contemporary challenges.

Ultimately, embracing dual-use technology empowers defence industry exporters to explore new markets, fuel innovation and reinforce economic resilience. By aligning product portfolios with the needs of both military and civilian applications, exporters can navigate uncertainties confidently, solidifying their roles as pivotal players across various sectors.

Striking balance in defence trading

Engaging in international defence trade presents significant opportunities for growth, innovation and collaboration; however, these prospects come with numerous considerations.

As defence companies navigate the intricate landscape of global trade, thoughtful planning and striking a balance between expansion and responsibility becomes essential.

Trade in defence checklist

Below is a checklist to help you navigate the process effectively.

1. Product suitability
- Determine if your defence products align with the needs and requirements of potential foreign markets.
- Ensure your products meet international quality and safety standards.

2. Market research
- Identify target markets based on demand, geopolitical factors and potential competition.
- Understand cultural, political and economic nuances in the target markets.

3. Regulatory compliance
- Familiarise yourself with Australia's defence export control regulations and the Defence Export Controls (DEC) agency.
- Ensure that your products are not on the Defence and Strategic Goods List, and do not require export permits.

4. Licensing and permits
- If required, obtain necessary export permits and licenses from DEC.
- Research and comply with the import regulations and requirements of the target country.

5. Intellectual property protection
- Secure your intellectual property rights internationally to prevent unauthorised use and replication of your products.

6. Export documentation
- Prepare all required export documents, such as commercial invoices, bills of lading, certificates of origin and packing lists.

7. Supply chain and logistics
- Develop a robust supply chain and logistics strategy to ensure safe and timely delivery of products.
- Understand the export packaging, labelling and shipping requirements of the target country.

8. Trade financing
- Determine how you'll finance your export operations, considering factors like payment terms, letters of credit and trade finance options.

9. Market entry strategy
- Choose an appropriate market-entry strategy, whether through distributors, agents, joint ventures, or direct sales.

10. Local representation
- Consider establishing local representation or partnerships in target markets to facilitate business operations and customer support.

Participating in defence projects exposes companies to security threats and potential data breaches. Maintaining robust cybersecurity and adhering to protocols is vital to prevent unauthorised access or data compromise. This also includes securing proper security clearances for personnel, and being cautious about technology transfer restrictions to safeguard sensitive information.

The defence industry's intricacies are intertwined with geopolitical shifts, affecting trade and market access. Businesses must stay vigilant to adapt to changing geopolitical landscapes. Additionally, ensuring compliance with end-user controls is crucial to prevent defence products from falling into the wrong hands or being used against international agreements.

Government defence priorities evolve with emerging threats and strategic interests. Staying competitive requires businesses to remain flexible, aligning their offerings with the shifting demands of the defence sector.

Defence projects often involve intricate systems, leading to potential delays and uncertainties. Effective project management and transparent communication with clients are essential to successfully navigate these challenges.

Advancing growth and global impact in defence

Getting into defence industry trade opens significant opportunities for growth and global influence. Companies that showcase innovative solutions, stick to regulations and commit to excellence can set themselves apart in this dynamic sector. By making the most of government procurement, technology, and innovation while tackling challenges head on, Australian businesses can both bolster national security and boost economic prosperity. ●

This article is correct at the time of writing (October 2023), but concerns a fast-moving issue where policy in Australia and abroad is currently changing. Please seek up-to-date information on new policy developments relevant to your business.

Trade in the digital age: harnessing the power of connectivity

By Hnin Nwe Oo, Economic Policy Analyst, the Australian Industry Group

Trade has transcended physical borders and taken on a new dimension in today's linked world, and has become digital trade. The digital economy's emergence has altered the way firms operate, and exchange products and services. This article explores the concept of digital trade, its influence on global businesses and government, trade rules and benefits, as well as the difficulties and possibilities it brings.

'Digital trade' is more than just trade in data. It comprises all forms of trade affected by digitisation:

1. **Goods:** where goods are sold over the internet, such as via ecommerce platforms, and electronic facilitation, such as paperless trading and digital certificates
2. **Services:** where services are digitally delivered, such as legal, financial, educational and consultancy; or where the service is a digital product, including software, music, films and apps
3. **Data:** where data is transmitted across borders, either as a commercial activity and/or to support other activities, including business-to-business and machine-to-machine data flows.

The Export Council of Australia expects that by 2030, digital trade will be worth $192 billion – up from an estimated $43 billion in 2018.

A well-structured digital trade framework protects firms and consumers from cyber attacks, fraud, and data breaches. Stronger cybersecurity and data protection legislation can build trust between trading partners and customers, assuring digital commerce integrity.

As digital trade grows, more data analysts, digital marketers, and cybersecurity and logistics specialists are needed. Digital trade encourages governments to invest in education and skill development for the changing needs of a digital economy. Traditional industry dependence makes economies vulnerable to unforeseen events like the COVID-19 pandemic if businesses were to remain limited and unconnected. Digital commerce diversification can protect against economic downturns by offering new revenue streams that are less geographically limited.

Digitisation will affect all of Australia's trade transactions, and therefore should be centred in Australia's future trade negotiating agenda.

Digital commerce standards are critical to facilitating digital trade. If implemented in accordance with international trade rules, digitisation and digital technologies have the potential to increase a local industry's access to foreign markets. International standards that are interoperable or harmonised remove obstacles and minimise friction in international trade.

International standards are crucial to smooth supply networks. For instance, Singapore and Australia have implemented the Peppol framework for e-invoicing and EMV Specifications for QR codes, resulting in improved supply chain management and faster, more accurate inventory and invoicing. These standards can boost trade efficiency, value and volume by aligning regional processes. Adopting international standards, produced by multilateral and multi-stakeholder bodies, boosts corporate trust by improving interoperability, safety, security, and quality. Some of the important digital trade rules and their benefits are:

- **Paperless trading:** Paperless trading involves digitising information flows, enabling electronic exchange of trade-related data and documents. This results in faster trade, reduced costs, improved customs controls, trade administration efficiency and increased transparency.
- **Electronic payments:** Electronic payments provide for safe and convenient transactions between buyers and sellers, regardless of location or currency. System interoperability is essential for successful cross-border e-payments. Despite the growth of e-payments in regional trade, logistical and governance issues remain.
- **Custom duties:** Allowing electronic communications to cross borders without

customs taxes promotes growth and free business. Eliminating customs tariffs on electronic communications promotes digital economy participation, as well as predictability for businesses and consumers.

» **Cross-border data flows and location of computing facilities:** Data flows are inextricably linked to the exchange of virtual commodities and services. Data flows are rapidly enabling our other commodities and services exports, as well as the movement of capital, people, and ideas – almost every cross-border transaction contains a digital component.
» **Online consumer protection:** Consumer confidence is a crucial factor in encouraging more people to utilise ecommerce. It is critical to safeguard online consumers against misleading or deceptive business practices that cause real harm to consumers or offer a prospective threat of such harm if not stopped.
» **Unsolicited commercial electronic messages:** Commonly referred to as 'spam messages', unwanted commercial electronic communications include mass messages like ads, product updates, and trade offers from many sources. These communications can hurt digital consumers.

Embracing challenges

As digital trade expands, cybersecurity threats increase. Cyber attacks, data breaches and online fraud are on the rise. To secure sensitive consumer data and intellectual property, businesses must invest in effective security measures. Digital trade frequently crosses national borders, resulting in significant challenges for businesses to meet regulatory compliance. Differing tax rules, data privacy legislation and customs processes can make international ecommerce difficult.

Navigating this regulatory landscape necessitates knowledge and resources. While digital trade allows for global reach, not every location has equal access to digital infrastructure. Developing nations may lack the required internet access and logistics skills, restricting their ability to participate in the digital economy. Another challenge is that increased access to global markets brings an increase in competition. Dominant ecommerce businesses can often suppress competition, making it harder for new competitors to establish a footing, resulting in fewer suppliers in the marketplace.

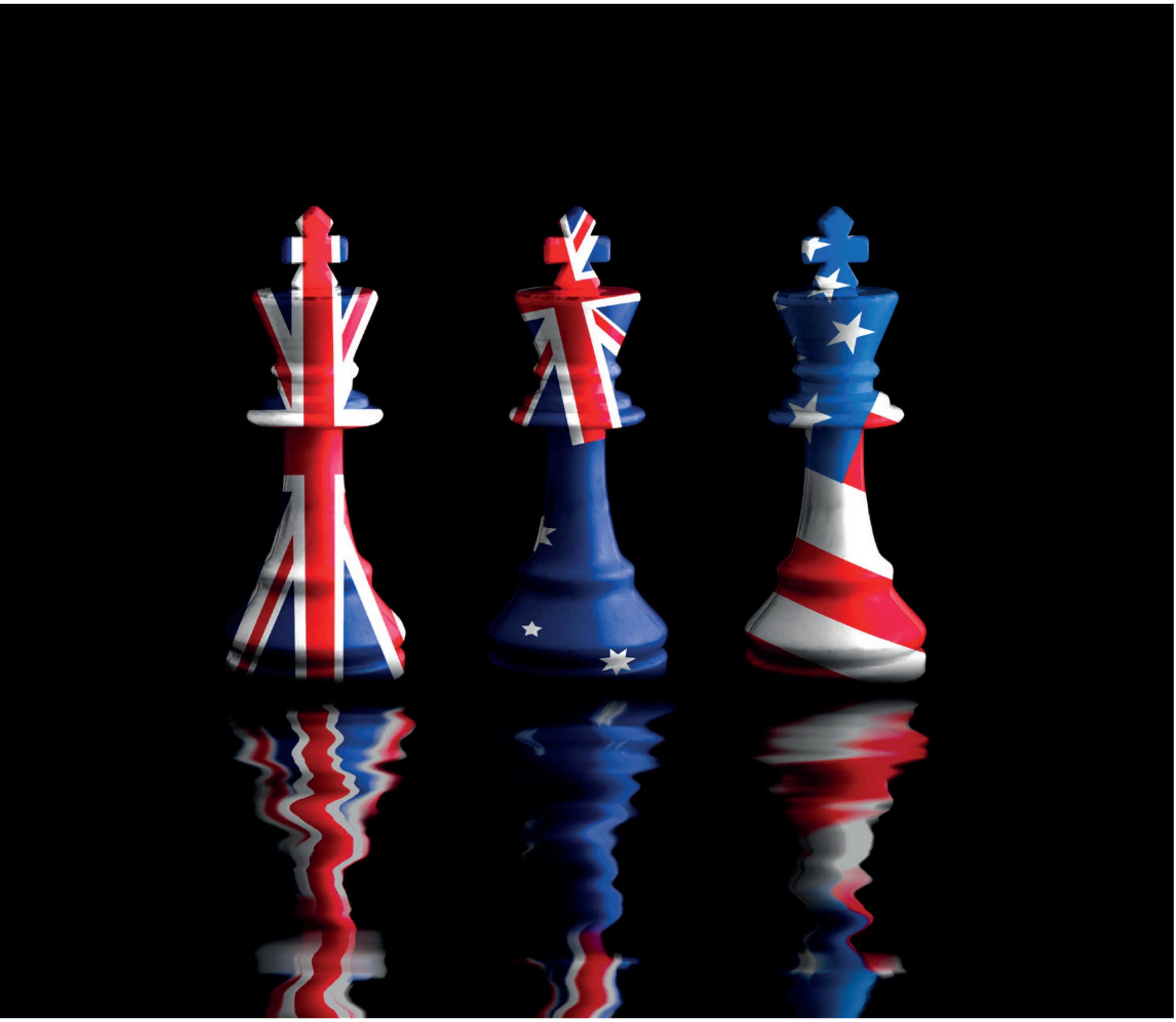
Unlocking opportunities

Digital trade can offer a vast array of possibilities. Cross-border collaboration can be facilitated by digital trade. Through international networks, businesses may benefit from one another's capabilities, and can pool resources and broaden their reach. The abundance of data produced by digital trade can offer insightful knowledge on customer behaviour and industry trends. Utilising this data allows businesses to make informed decisions and adjust their products to match client needs. Opportunities for sustainable business practices, such as lower carbon emissions, can result from less reliance on physical storefronts due to increased ecommerce.

Digital trade has emerged as a driving force in global business, significantly transforming how businesses operate and compete. While it poses cybersecurity, regulatory and infrastructure concerns, it also opens a world of opportunities for market development, efficiency gains and innovation. The continuous expansion and evolution of digital commerce will impact the future of global business, and organisations that embrace this transition stand to gain from a more integrated and dynamic global marketplace. ●

Micro-partnerships in the age of AUKUS

By Sarah Pavillard, CEO and Founder, ADROITA



Earlier this year, I launched my latest white paper, Micro-Partnerships in the Age of AUKUS, at the Sea-Air-Space Exposition in Maryland, in the United States, as part of the Team Defence Australia official delegation. Sea-Air-Space is the largest maritime expo in the United States, and attracts Pentagon decision-makers and maritime leaders from sea services around the world. My company, ADROITA, is a defence industry–focused, small to medium-sized enterprise (SME) that specialises in maritime and combat systems engineering, professional services, and strategic advisory.

ADROITA was one of the few services SMEs that seized the initiative and travelled to the United States to attend the exposition. It was an instructive experience, and one that rewarded our investment in time with new contacts and relationships with American companies that are keen to do their part to deliver the pillars of AUKUS, and partner with Australian companies.

The AUKUS agreement underscores the importance of Australia's relationship with the United States and the United Kingdom – two of Australia's most stalwart allies. Our common values, shared history, and mutually held vision for a secure and prosperous Indo-Pacific unite us across the Atlantic and Pacific, and guide our approach to the region.

AUKUS signals the renewal of American and British commitment to the region, as demonstrated by plans to regularly rotate both nations' nuclear submarines through Australian bases; however, its true strategic value will only be realised through key industry enablers. These include government policy support, trusted international business-to-business partnerships, the relaxation or elimination of International Traffic in Arms Regulations (ITAR) restrictions from the US side (which is in progress), and the use of existing mechanisms for technology transfer. These industry enablers need to materially impact, benefit and support SMEs – not just the big end of town.

Submarines are big, but don't forget Pillar 2

The announcement of the plans to purchase three to five Virginia-class submarines; and for the design, construction and delivery of the SSN-AUKUS as an enduring nuclear-powered submarine capability, heralds a new age of military cooperation in the Indo-Pacific. It is as impactful as the signing of the Australia, New Zealand and United States Security Treaty was in 1951, but it isn't the only story.

Australia has committed up to $368 billion under Pillar 1 of AUKUS to acquire, operate and maintain nuclear-powered submarines with the associated infrastructure that is required – and that is just for one pillar. The scale of investment that will be made to support the Pillar 2 advanced technologies is not yet clear, but will no doubt be substantial. The significance of the shift in strategy, and the scale of opportunity, means that there has never been a better time for Australian businesses – and, particularly, SMEs – to partner with American and British businesses to bring joint skills, capability and experience to bear in the market.

A game changer for the Indo-Pacific

AUKUS represents the most significant technological and military uplift in Australian history, as well as the greatest opportunity in a generation or more for the Australian, American, and British defence sectors to collaborate and co-work for mutual gain.

At its heart, AUKUS is about three things: enhancing Australian capability as America's best and most trusted mate in the Southern Hemisphere; ensuring an open, prosperous and secure Indo-Pacific; and demonstrating that American decline in the region is greatly exaggerated. The partnership is the culmination of more than 100 years of military cooperation between the United States, Australia and Britain – stretching back to the Battle of Hamel in 1918, when the US and Australian Army infantry successfully engaged German-held positions with support from British armour, under the command of John Monash.

The potential for AUKUS micro-partnerships

Together, we need to find adaptive, innovative and agile ways to work together – business to business – to bring the full potential of AUKUS to life. The AUKUS partnership will be enabled by, and needs to enable, micro-partnerships to fully catalyse the potential for all levels of the AUKUS economies to contribute. After all, SMEs working individually in the Indo-Pacific in the age of AUKUS face common challenges that require regulatory, policy and political interventions to succeed; however, that can also be eased through business-to-business cross-border partnerships. Today, there are insufficient indicators that the Australian Government is committed to game-changing policies to enable Australian SMEs to succeed on the AUKUS stage.

Australian demand for skilled workers with defence expertise continues to grow year-on-year as the industry expands; but entering this market successfully means partnering with local companies who can make introductions and act as trusted advisers. These partnerships between SMEs are powerful and have the potential to deliver big results for relatively small investment. The nation-to-nation partnership is the perfect opportunity for AUKUS SMEs to grow together, to deliver more, and for the whole of their capability to be more than the sum of their individual parts.

Why should Australian SMEs partner with overseas companies?

SMEs account for half of gross domestic product in the AUKUS nations and form the entrepreneurial backbone of their economies, creating jobs and driving innovation. SMEs have a level of agility, adaptability and responsiveness that large corporations can lack, due to SMEs' focused expertise, smaller workforces, and willingness to adapt or die. They are the perfect model for delivering minimum viable capability, because they make these types of decisions every day.

American and British SMEs face significant challenges in the local market, including slow access to skilled migration or temporary work visas, limited access to digital security infrastructure, cumbersome procurement requirements, the ITAR obstacle, and less-developed knowledge of policy and processes. Furthermore, SMEs face challenges related to the recognition of security clearances and program participation; poor understanding of work, health and safety statutory requirements; a lack of trust in the market; and smaller networks.

Business-to-business micro-partnerships between American, British and Australian SMEs offer significant benefits to companies and individuals. These collaborations facilitate trust transfer, allow access to expertise and knowledge, and provide high value with lower overhead costs.

Micro-partnerships also enable capability pooling, increased flexibility, and access to new markets and customer bases. SMEs can particularly benefit from micro-partnerships, leveraging the existing networks of their partners to achieve their objectives. By co-working with complementary skills and capabilities, both parties can benefit from shared expertise and learn together, leading to more innovative outcomes.

ITAR is a problem, but there are other ways

ITAR is an impediment when it comes to moving with haste, but it is not the only way to facilitate the transfer of technology and skills to the Australian defence sector – there is still the Australia-US Defence Trade Cooperation Treaty.

The treaty came with aims to improve the efficiency of two-way transfers of controlled goods by facilitating their export within an approved community without an export licence. It is limited to approved organisations, with benefits including reduced delivery time, improved sustainment, more efficient sharing of technical data, and consistent compliance requirements. The approved community comprises an Australian community and the US community that are managed by their respective governments. The treaty may offer the best shot for expediting AUKUS-related capability – if the US and Australian governments update their end-user lists.

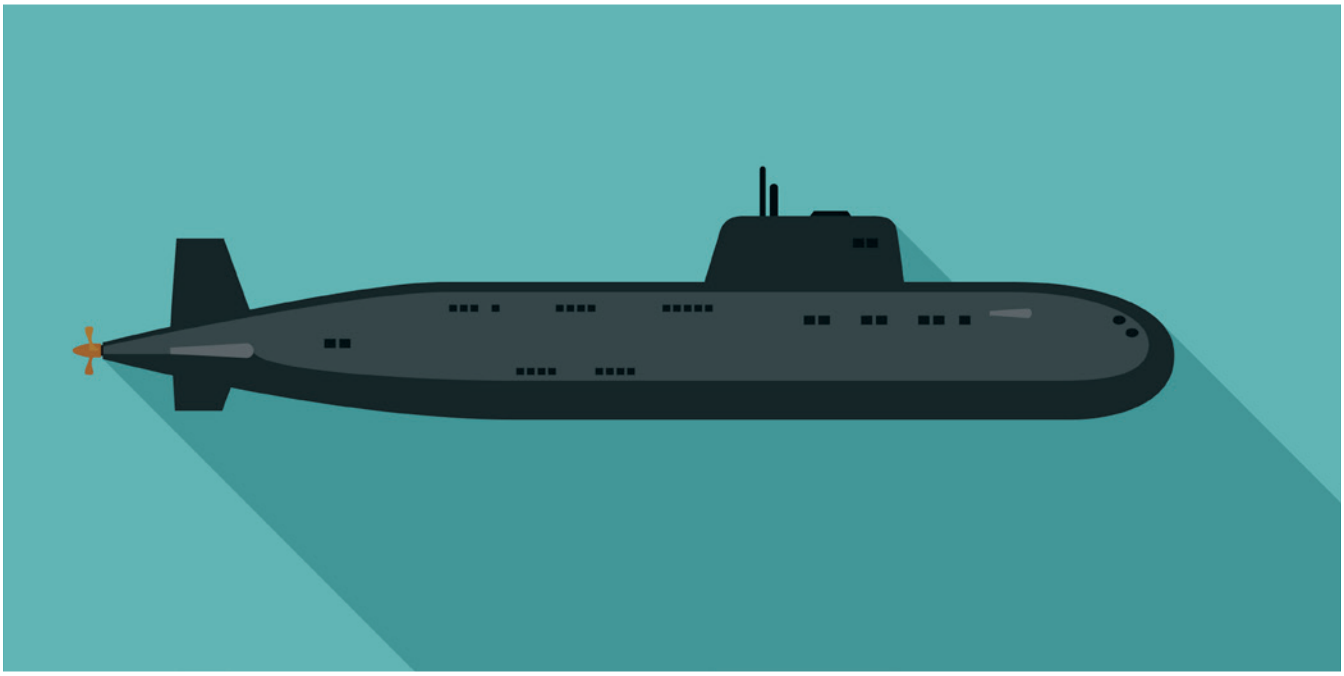
Outside of the treaty, the United States continues to make strides towards recent strides towards exempting Australia from ITAR via the introduction of the Truncating Onerous Regulations for Partners and Enhancing Deterrence Operations Act in May, and the proposal to exempt Australia and Britain from ITAR that Congress's Armed Services Committee made in July. Neither have passed through the US legislative process yet, but the indicators of bipartisan support are heartening.

The work begins now

Industry can mobilise faster than government, and for Australian businesses who want to seize AUKUS-related commercial opportunities, then the work begins now. ●

To find out more, read my white paper, Micro-Partnerships in the Age of AUKUS.

This article is correct at the time of writing (October 2023), but concerns a fast-moving issue where policy in Australia and abroad is currently changing. Please seek up-to-date information on new policy developments relevant to your business.



Managing the financial risks of international trade

By Export Finance Australia

The global market presents exciting opportunities for Australian businesses looking to grow, expand their customer base and increase profit. While international trade can be lucrative, it comes with its risks.

Exploring risk management in international trade, Cassandra Winzenried, Chief Economist; and Andrew Perkins, Director, SME Distribution, at Export Finance Australia, share their insights into the importance of finance in supporting your overall risk management plan.

As the Australian Government's export credit agency, Export Finance Australia provides finance solutions to help Australian businesses take on the world.

The global landscape for international trade

Across the globe, change has remained a constant in all aspects of international trade.

Winzenried highlights that, amid increasing geopolitical tensions, public support for economic openness is declining. 'Businesses have refocused their global operations on resilience rather than the efficiency of supply chains, seen through the rise in friend-shoring and nearshoring. Opportunities for Australian businesses to diversify into new markets have increased, aided by recent free trade agreements,' she says.

Despite the challenges, the benefits of international trade are still seeing Australian businesses choosing to share their goods and services with the world.

For businesses considering the opportunity or already exporting, the importance of managing the risks associated with international trade cannot be understated. 'From an export finance perspective, effectively managing risks can help businesses to maximise the benefits of stakeholder relationships and returns from export activities, while also minimising the risks of non-payment,' Winzenried explains.

Managing international trade risks

Uncertainties – like fluctuations in currency exchange rates, unexpected changes in regulations and political instability – can all impact the success of a global trade deal; however, Perkins highlights that, with proper risk management and export finance, businesses could minimise these risks and maximise international trade opportunities.

Talking about avoiding risks in international trade, Perkins explains that there are no shortcuts. As with any other business risks, you will need to follow a robust risk management process to ensure your business is in the strongest possible position to manage risks.

'Broadly, the best practice for mitigating risks in international trade remains unchanged,' he says.

Some of the fundamental steps in setting up a sound risk management policy include the following.

Identify potential risks

The first step to managing risks in international trade is identifying the potential sources of risks for your business. Export Finance Australia's World Risk Developments[1] is a good place to start, and the Department of Foreign Affairs and Trade continually monitors the effects of political changes on Australian businesses.

Develop a risk management strategy

While it is impossible to predict all risks, you can assess the likelihood and impact of most scenarios that could affect your business. You then need to identify steps you can take to avoid or mitigate the most critical risks, or minimise their impact. Ensure your risk management strategy is as clear and straightforward as possible, and that everyone in the business knows what they need to do.

Seek support and advice

As the team at Export Finance Australia says, 'No-one takes on the world alone.' It takes a network of support to navigate the challenges and risks of international trade.

Your bankers, lawyers, insurers and accountants will be able to provide advice about the risks you may encounter in overseas markets. Try to find on-the-ground advisers in your target country or a business that has dealt there before, so you can learn from their experiences. Your industry association or business chamber can also be a good place to start.

Monitor and review risks

As the global landscape evolves, the risks to your business may change. It is essential that risks are monitored and reviewed constantly, and that you update risk management strategies if necessary.

The financial risks of international trade

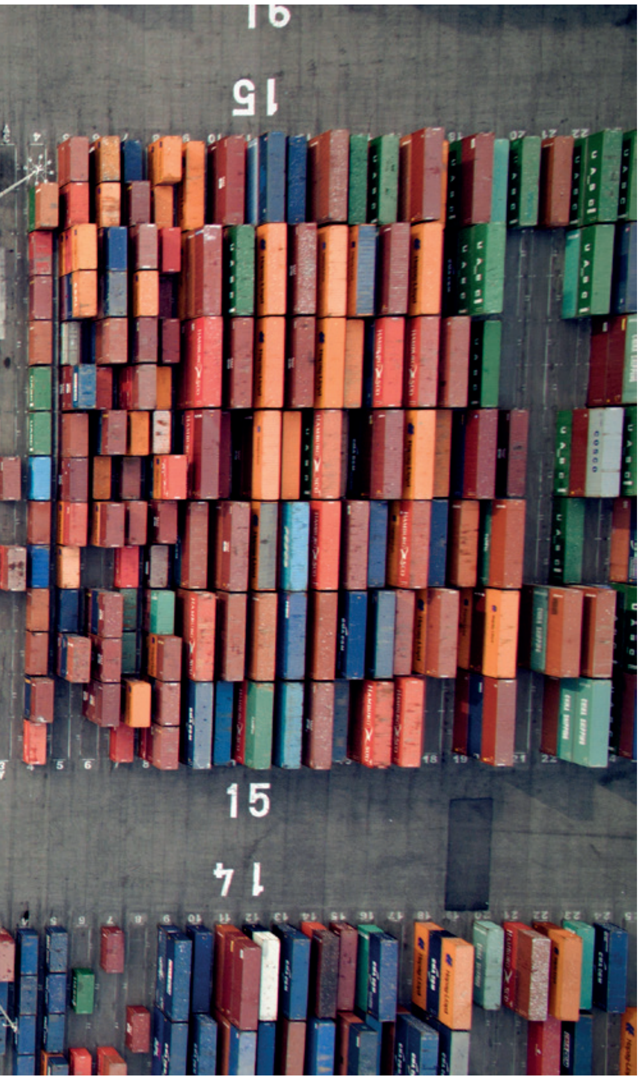
When exporting, it is essential to have robust financial systems and internal controls, particularly for key processes like quoting, project management and payments. This can ensure greater operational efficiency and the ability to make better decisions – and can make it easier to identify and rectify any risks or issues.

Perkins highlights that there are two crucial areas of focus that businesses should consider when managing finances for international trade.

'Reviewing your contracts and understanding the risks will help protect your business when exporting,' Perkins says. 'After completing these processes, you will also be better placed to secure additional finance if you need it.'

1. Reviewing contracts

Creating a standard due diligence process for reviewing contracts will give you a better understanding of the financial impact that each new export contract or purchase order has on



your business. This will also help you ensure that any contracts you enter are a good fit for your business and will not cause undue financial strain.

Your process should enable you to answer important questions, such as:

- Can your business support the financial terms of the contract?
- Does the customer have a record of paying on time?
- Can your business absorb any overdue payments?
- If there is a dispute, does your business have a dispute-resolution process?

2. Knowing the risks
After carefully evaluating each contract and purchase order, you need to identify the associated risk.

Here is what to look for:

- **Payment schedules:** If possible, try to secure a deposit or part payment up-front.
- **Payment terms:** Always be aware of payment terms.
- **Delivery:** Be careful not to deliver your product or service overseas without first ensuring you will receive payment.
- **Credit terms:** Evaluate whether you should offer credit to a new overseas buyer.
- **Cancellations:** Be prepared for contract cancellations and ensure payment for work completed.

Ongoing risk management and finance

With a strong risk management plan in place, you are well-positioned to take on international trade; however, with the current state of the global landscape, it is vital to stay vigilant and keep an eye on changing conditions.

Winzenried outlines that it is important to ensure you are regularly assessing 'the economic, social and financial performance of export markets, as well as any relevant legal and regulatory settings and political leadership or platforms'. This will help you stay ahead of any potential risks and make informed decisions.

The right finance could help

Diversifying your business, adapting to changing market conditions and staying ahead of the competition all require financial resources.

If you are new to exporting or exporting to a higher-risk country, your bank may be unwilling or unable to provide additional finance. That is where Export Finance Australia may be able to help. ●

If you would like to learn more about the solutions that Export Finance Australia can provide, or how it may be able to support your business, call the team today on 1800 093 724 or email info@exportfinance.gov.au. Alternatively, visit exportfinance.gov.au for more information.

1 https://www.exportfinance.gov.au/resources/world-risk-developments/

Navigating ambiguity in an uncertain world

By Kerryn Fewster, Founder and Director, Change2020

In an ever-evolving and uncertain world, thriving amid ambiguity has emerged as a measure of success. Rapid shifts in global markets have compelled organisations to adapt and innovate swiftly. The volatile, uncertain, complex and ambiguous (VUCA) environment – with its constant economic fluctuations, technological advancements, and changes in consumer behaviour – presents a complex terrain for businesses. This article delves into how individuals and organisations can effectively steer through this ambiguity, which is the most elusive yet influential factor in today's climate, supported by research findings on the advantages of fostering a tolerance for ambiguity.

Navigating uncertainty and ambiguity

Humans are biologically programmed to avoid ambiguity, a survival instinct inherited from our ancestors. Despite fewer physical threats today, quick situational assessment and decision-making remain crucial. This is increasingly challenging in a VUCA environment, particularly for industries operating in multiple markets.

The global supply industry is a prime example. Volatile market changes lead to disruptions, while uncertainties like regulatory changes and transportation disruptions affect forecasting. Ambiguity further complicates decision-making due to inconsistent data and varying ethical practices across the supply chain.

A deep dive into the tolerance of ambiguity

A collaboration between Professor Peter O'Connor, Queensland University of Technology, and Change2020 began exploring why some individuals thrive in uncertainty, while others falter. They noted an increase in failed transformation projects despite strong change management attributed to ambiguity arising from technological advancements, skills shortages, political upheavals, and others. COVID-19 further emphasised the importance of adaptability and ambiguity tolerance.

The research highlighted some compelling insights:

- Fear of the unknown severely affects our decision-making and problem-solving abilities.
- Younger generations – such as millennials, gen Y and gen Z – have a lower tolerance for ambiguity compared to gen X and baby boomers.
- Less than 10 per cent of those assessed had a clear to very clear tolerance of ambiguity.
- The ability to actively manage uncertainty is the key to effectively navigating ambiguity.
- Practicing mindfulness – which involves managing emotions, handling stress, and staying present – was found to be key to fostering a tolerance for ambiguity.

Human skills to foster

Instead of focusing on technical tools like Gantt charts, the research recommends fostering human skills. Alongside mindfulness, seven skills correlated with a high tolerance of ambiguity were identified: creativity, courage, curiosity, focus, assertion, flexible thinking, and the ability to unlock inertia.

Creativity

In the complex global supply chain, promoting curiosity and innovation is vital. It enables managers to challenge conventions, embrace risks and find creative solutions, such as employing lesser-known ports or integrating different modes of transportation. Such a

dynamic culture fosters rapid learning and flexibility, crucial for navigating regulatory changes, ensuring product delivery, and driving organisational growth in a rapidly changing environment.

Courage

In the unpredictable global supply chain, courage is key. It means acknowledging uncertainties, taking risks and showing resilience in the face of challenges, all while being decisive and stimulating innovative solutions. Courage is essential when dealing with sudden disruptions, like trade disputes or natural disasters, as it necessitates pivoting operations, exploring new supplier relationships, and breaking with convention. Therefore, embracing courage fosters innovation and resilience in the ever-changing global trading landscape.

Curiosity

We are operating in an era of exponential change, which demands a curious learning mindset. Curiosity and the quest for understanding drives innovation and propels proactive exploration of the unknown. It demands humility to acknowledge what we don't know, sparking open queries and attentive listening to diverse perspectives. It is curiosity that provokes us to challenge our beliefs and seek verification, learn new ways and release the old ways, thereby enhancing our ability to navigate ambiguity. A curious supply chain manager may harness this trait to explore and adopt emerging technologies, such as artificial intelligence or blockchain, to improve efficiency in their operations. By fostering curiosity, we open ourselves to fresh insights, driving innovation and navigating through the uncertainty inherent in the global trading landscape.

Focus

Maintaining focus in the uncertain global supply chain environment is crucial. Amid uncertainty, a focused approach becomes essential, strategically directing efforts towards controllable factors to minimise and manage disruptions. It promotes prioritising as much clarity as possible over the elusiveness of certainty. During global economic downturns, a focused approach can include improving internal operations, renegotiating contracts, or diversifying products. By fostering focus, we can navigate uncertainties, stimulate innovation and maintain operational efficiency.

Assertion
Assertive leaders take the lead, proactively stay informed and drive transparent communication, even when all the answers are not immediately known. For instance, a supply chain manager demonstrating assertiveness could decisively coordinate multinational resources during a sudden global shipping crisis. By urgently prioritising suppliers, rerouting logistics and effectively communicating changes to all stakeholders, they ensure continuity and resilience in the face of disruption. By cultivating such assertiveness, they empower their supply chains to innovate and navigate global trade complexities more effectively.

Flexible thinking
Flexibility and innovation are key to navigating complex trading environments. Embracing flexible thinking cultivates a rich understanding and openness to new possibilities through a diverse network of insights and experiences. It requires receptiveness to differing opinions, refining our approaches based on these perspectives, and learning adaptively when old strategies fail. For instance, during a sudden consumer demand shift like that seen during the COVID-19 pandemic, supply chain managers demonstrating flexible thinking could rapidly re-strategise, adjusting production lines or reallocating resources to meet new needs. This adaptability creates a resilient supply chain capable of fluid navigation through fluctuating markets, enhancing its effectiveness and innovation.

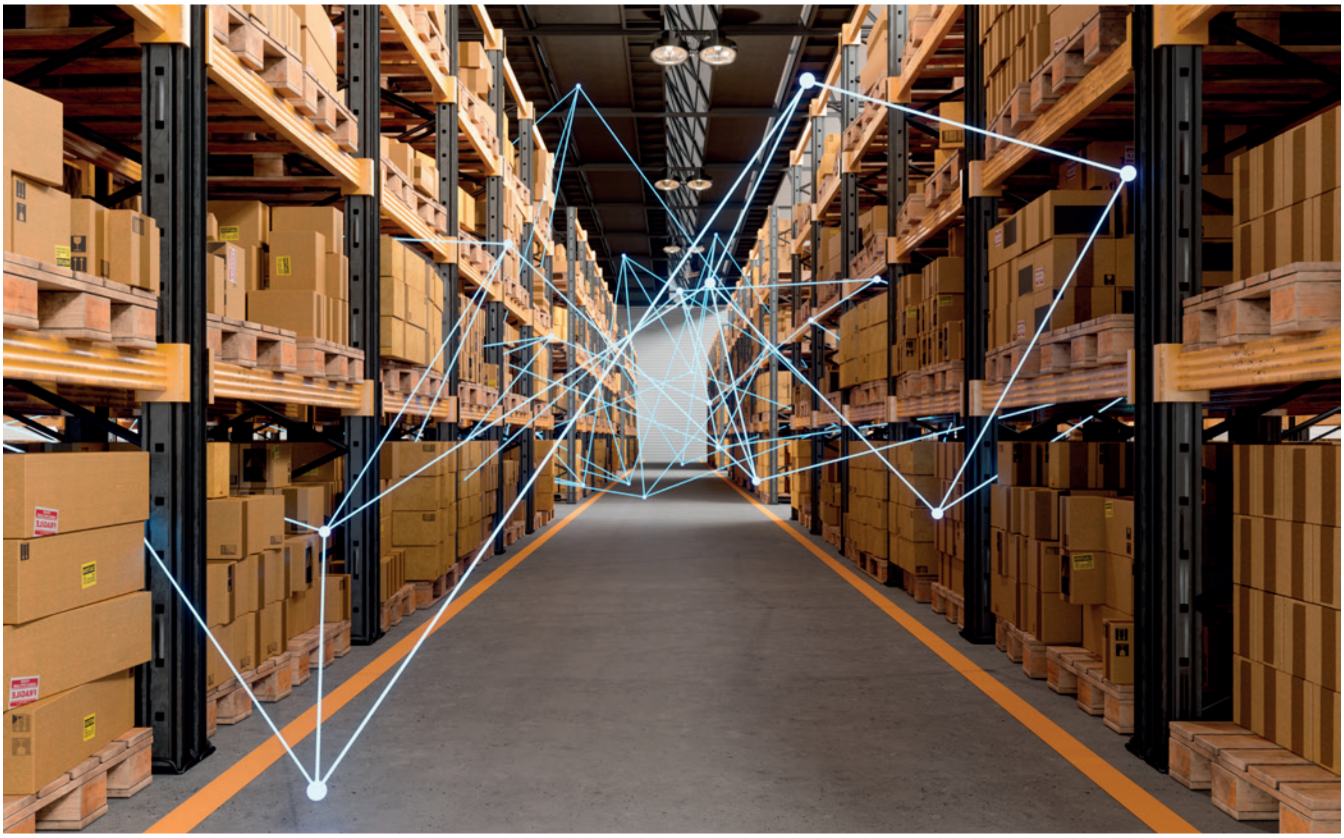
Unlock inertia
Ambiguous environments trigger an instinctual behaviour to 'stop'; however, the VUCA world is intolerant of inertia. Embracing the unknown and anticipating future possibilities breaks the cycle of 'stuckness'. Employing a 'let go' mindset enables learning from the past and exploration of new territories. A positive, future-focused mindset that actively shapes the future is nurtured by appreciating challenges and opportunities. For example, a traditional supply chain company could innovate by advocating for sustainability or employing new technologies for improved transparency and traceability, meeting evolving global market demands.

The way forward
Tolerance for ambiguity can be the difference between a resilient supply chain and a vulnerable one. Being proactive, adaptive and prepared is key.

Ambiguity presents significant challenges to global business; however, with the right mindset, tools and strategies, one can navigate this ambiguity. The keys to thriving in this environment are adaptability, resilience and focus, along with leveraging technology and maintaining robust supplier relationships.

Leaders who demonstrate adaptability, resilience, and a tolerance for ambiguity are the ones who will guide their organisations successfully through the complexities of our modern world. ●

Export Market Development Grants



Austrade's Export Market Development Grants program helps Australian businesses to grow their exports in international markets. These grants encourage small to medium-sized enterprises to market and promote their goods and services globally.

Reforms to the Export Market Development Grants (EMDG) program came into effect on 1 July 2021, reorienting EMDG from a reimbursement scheme to a grant program. The grant program retains many of the same features and benefits, plus a number of improvements, including:

- simplified legislation
- a streamlined application process
- the ability to apply once for a grant of two or three years
- information about how much funding you will receive before you spend.

There are three different grants available, depending on your export business maturity. There are also grants for industry representative bodies, such as the Australian Industry Group, to help members become export ready and to export successfully.

EMDG from 1 July 2021

The EMDG program now provides up-front funding certainty, so you know how much

you will receive during your grant agreement (two or three years), and you can plan your promotional activities with confidence.

Types of grants for exporters

Small to medium-sized enterprises (SMEs) can apply for three different grants over eight years (not necessarily consecutively) for eligible promotional activities. Grants are available in three stages, called tiers. Each tier provides a different level of support for SMEs as they grow their export markets. The lengths of these grants reflect the different stages of an exporter's journey.

Tier 1: Ready to export

- first-time exporters
- two years and a maximum of $40,000 per financial year.

Tier 2: Expanding

- expanding export promotion activities
- three years and a maximum of $80,000 per financial year.

Tier 3: Expanding and strategic shift

- expanding export promotion activities and making a strategic shift. For example, targeting a new market or a new type of customer
- three years and a maximum of $150,000 per financial year.

Grants for representative bodies

Assistance for industry bodies and alliances (representative bodies) extends to training members who are new to export to become export ready. Representative bodies will continue to have access to financial assistance for promotional activities on behalf of their members in international markets, with grants of up to three years and up to $150,000 per financial year.

The process for receiving a grant

- You apply for a grant for promotional activities you intend to undertake in the next financial year.
- Once all applications have been assessed, Austrade offers a grant agreement to each eligible applicant for the full grant period for that tier.
- You enter into a grant agreement with Austrade.
- You then undertake your promotional activities as agreed in the grant agreement.
- You request milestone payments in accordance with your grant agreement.
- Your grant agreement will set out when your milestone payments need to be made, and what you need to do to receive these payments.
- Once all applications have been received, Austrade will calculate the distribution of available funds for all eligible applications. Following assessment, if you are eligible, you will receive a grant agreement that will tell you how much your grant is for. Your obligation is to match, at a minimum, the dollar value of the grant monies you receive.

Eligibility

To be eligible for a grant under the EMDG program, you will need to be an Australian person, and have eligible products and expenses as defined in the EMDG Rules. The EMDG Guidelines provide a plain English description of the requirements for your eligibility.

To be eligible:

- you need to have had a turnover of less than $20 million in the previous financial year,
- you must be an Australian within the meaning of the EMDG Rules
- you must have an Australian Business Number (ABN).

EMDG grant funds must be used for promotional activities to market eligible products in foreign countries, or for training activities to develop skills in marketing for this purpose.

To be an eligible product, your product(s) must be of substantially Australian origin and be:

- goods
- services
- events
- intellectual property or know-how
- software.

The EMDG grant is provided for expenses in one or more of the following categories:

- maintaining a representative in a foreign country
- short trips to a foreign country
- engaging a consultant to undertake research or promotional activities
- short trips within Australia
- foreign buyer visits
- soliciting business in a foreign country
- providing free samples
- producing and providing promotional and advertising material
- intellectual property rights
- if you are a Tier 1 applicant, obtaining export readiness training.

Preparing to apply

When applying, you will need to provide:

- evidence to show you are eligible for an EMDG grant (you are an Australian person and you must have an ABN)
- evidence to show that your product is eligible, including that it is of substantially Australian origin
- your plan to market (which could be a one-page statement, a strategic road map for marketing, or any other internal planning document)
- your balance sheet, and profit and loss statement, to prove your turnover is less than $20 million. ●

If you need to clarify any part of your application, refer to the EMDG Guidelines, email EMDG.help@austrade.gov.au or call 13 28 78.

Deakin is advancing manufacturing towards a bold future

Major initiatives at Deakin are boosting university and industry collaboration on manufacturing research, creating opportunities for the regions and beyond.

Ross Mahon describes Deakin University's transformational strategy in advanced manufacturing as building a 'bridge into the future'.

For Mahon, Executive Director of Deakin Research Innovations, that bridge is about connecting manufacturers to Deakin's innovation and entrepreneurship ecosystem – and surrounding them with world-class support.

Fundamentally, it's about driving innovation by linking manufacturers to Deakin experts, researchers, students, facilities, training and networks.

'Through industry collaboration, Deakin is co-creating the future for regional manufacturing,' says Mahon. 'We're working with manufacturers in new ways and having a larger impact. That's good for industry and communities.'

Mahon's colleague, Mark Curnow, says Deakin's work is changing how manufacturing companies view Australian universities. Curnow, a fitter and turner by trade, is Director of Regional Manufacturing at Deakin and a manufacturing industry veteran.

'In my 40 years working in manufacturing, I never thought to come to a university for help with a process or product problem,' says Curnow. 'Today, Deakin is helping manufacturers solve problems, creating value and business growth. Deakin has world-class equipment, and a very applied, industry-focused and practical approach to manufacturing solutions.'

Deakin's manufacturing impact is multifaceted. At one level, Deakin provides state-of-art facilities and training to manufacturers through ManuFutures, its advanced manufacturing hub in the Future Economy Precinct at its Geelong Waurn Ponds campus.

At another level, Deakin is spearheading the largest recycling and clean-energy advanced manufacturing ecosystem in Australia, after securing $50 million in funding last year from the Australian Government's inaugural Trailblazer Universities Program. With industry and university partner support, the total investment is $380 million.

These and other Deakin manufacturing initiatives are encouraging more companies to co-locate on Deakin campuses, foster collaboration between industry and Deakin researchers, provide industry-based learning opportunities for Deakin students, and extend the model across Deakin campuses in Victoria.

Mahon says Deakin is developing a thriving manufacturing sector across regional Australia. 'There's no reason the next great Australian manufacturing company can't be born and developed in the regions, or why the regions can't have lots of high-growth advanced manufacturing companies targeting global markets.'

Mahon, a former auto-industry executive who joined Deakin in 2021, says the university is also developing the next generation of manufacturing workers for the regions.

'Some of the most exciting jobs today and in the future are in advanced manufacturing. By providing opportunities for Deakin students to work with manufacturing companies on campus, we can help them develop the latest manufacturing skills and build their career.'

ManuFutures

Established in 2018, ManuFutures is at the heart of Deakin's manufacturing strategy. Since its launch, ManuFutures has created more than $1 billion in company value, hosted more than 500 student placements and created over 120 direct new jobs.

ManuFutures provides tenancy opportunities for manufacturing companies, incubator programs, training and product-engineering services. Two purpose-built ManuFutures precincts provide the latest facilities over a combined 8000 square metres.

ManuFutures is home to 23 manufacturing companies. To become part of ManuFutures, tenants commit to engage with Deakin in a research capacity, or provide learning opportunities for Deakin PhD candidates or students.

Curnow describes ManuFutures as Deakin's 'front door' in manufacturing. 'We're the place for manufacturing companies that want to learn how Deakin can help them solve problems. We can connect manufacturers to Deakin researchers and resources.'

Deakin's first iteration of ManuFutures was mostly about providing a facility for manufacturers on campus. Curnow says Deakin realised that connecting manufacturers to researchers wasn't enough; the companies also needed business support.

The next iteration – ManuFutures2 – was completed in early 2023. The $20-million investment (jointly funded by the Victorian Government and Deakin) doubled the size of ManuFutures, and included an Innoveering product-engineering centre.

Training is now a key feature of ManuFutures. Three programs are offered under the Ignite, Accelerate and Engage themes. ManuFutures Ignite is a free manufacturing mentoring and coaching program that runs over 12 weeks (one day per week). It suits entrepreneurs and startups that want to commercialise their manufacturing design.

ManuFutures Accelerate is a six-month manufacturing or product-development and business-acceleration program. It suits innovative companies that seek support to validate and scale up their manufacturing and business-development capability.

ManuFutures Engage targets established small and medium-sized manufacturing companies wanting to innovate their products and processes, and grow through product engineering and prototyping. The program connects these companies with leading experts in innovation, product engineering and manufacturing at Deakin.

A feature of the three training programs, which are open to all manufacturing companies, is access to $10,000 to $50,000 of product-engineering support for eligible companies (some programs require co-investment).

Blazing new trails in manufacturing

Deakin's other big manufacturing initiative is the Deakin Recycling and Clean Energy Commercialisation Hub (REACH). Formed through the Australian Government's Trailblazer Universities Program to support national manufacturing priorities, REACH will be Australia's largest recycling and clean energy advanced manufacturing ecosystem.

Through REACH, Deakin will work with governments, industry and education partners to establish a bio-economy in regional Victoria focused on clean energy, recycling and greener supply chains. In doing so, Deakin will draw on its research strengths in battery technology, carbon fibre, recycling, hydrogen and other areas.

The research-industry partnership is expected to create more than $1.4 billion in revenue and 2500 jobs in the next decade.

'REACH positions Deakin at the forefront of green manufacturing research and industry collaboration in Australia,' says Mahon. 'It also creates an exceptional collaborative platform to develop opportunities in clean energy for manufacturing companies, and to create many technology-based jobs in regional communities. Most of all, REACH will improve the environment with new sustainable manufacturing technologies.'

Mahon sees Deakin's advanced manufacturing ecosystem getting stronger and stronger. 'With REACH, we are driving translational research collaboration with real-world impacts that will see Australia's manufacturing sector become cleaner and greener. Through ManuFutures, we are helping to translate ideas to commercialisation and existing companies to grow. Together, REACH and ManuFutures add momentum to the innovation and entrepreneurship ecosystem Deakin is building, across manufacturing and other fields.'

For their part, Mahon and Curnow are changing how Deakin interacts with the manufacturing sector. Both came from the automotive industry – or the manufacturing 'school of hard knocks', as Mahon describes it. Both understand the broad challenges that manufacturing companies face, and the sector's importance to regional Victoria.

'We've visited some of the leading universities in the United Kingdom to understand how they support their manufacturing sector,' says Mahon. 'I'd like to think that some things they are doing will be done at Deakin within five years. Equally, they want to learn about some innovations at Deakin. Much has been achieved since 2018 in manufacturing at Deakin, and a new phase of growth is just beginning.' •

To learn more about ManuFutures and REACH, visit www.deakin.edu.au.