

New era for exports

There's an optimistic breeze blowing through Australia's export sector. Many companies with current or prospective overseas sales feel that conditions are the best they've been since the global financial crisis brought developed economies to a slowdown in 2009.

The three trade agreements that Australia signed in quick succession – with [South Korea](#) in April 2014, [Japan](#) in July 2014 and [China](#) in June 2015 – have already boosted many exporters' international marketing plans, although in most cases tangible benefits from reduced tariffs will flow only gradually over the coming years.

Meanwhile, a dramatic fall of about 25 per cent in the value of the Australian dollar compared with the US dollar since March 2013 has delivered material benefits and a feel-good sensation to company owners and their financial officers.

[Austrade](#)'s Chief Economist, Mark Thirlwell, points to concrete evidence of a new mood: "The jump in the number of exporters we saw in 2013–14 was good news, and with a further drop in the dollar since then, the hope is we'll see the rise in exporter numbers sustained into 2014–15.

"We're heading into a different world for exports. Previously, it was resources-intensive, aimed at massive industrialisation. But China is more services-intensive now."

That different world has plenty of scope for entrepreneurs from Australia, and the phone lines are running hot at organisations such as [Austrade](#) and the [Australian Chamber of Commerce and Industry](#), which help Australian companies add exporting capacity to their operations.

"Our clients are very, very positive," says Sara Cheng, Senior Manager at [Australian Business Consulting & Solutions](#), a commercial division of [NSW Business Chamber](#). "The trade agreements are definitely seen as a good opportunity."

Cheng has a client who is an exporter of health supplements to South Korea. "Before the [Korea-Australia Free Trade Agreement \(KAFTA\)](#) they exported to duty-free shops on an ad hoc basis. They've put more effort into their strategy now and they're seriously looking for distributors in South Korea," she says.

Under [KAFTA](#), South Korea will provide tariff-free entry for all of Australia's pharmaceutical, vitamin and health supplement products by December 2017.

The [China–Australia Free Trade Agreement \(ChAFTA\)](#), which came into force on 20 December 2015, is undoubtedly the one that is producing the greatest excitement, says

Cheng. “I’d say the three main categories with potential are food and beverages, health supplements and cosmetics,” she adds.

The second round of tariff reductions under the [Japan–Australia Economic Partnership Agreement \(JAEPA\)](#) implemented from 1 April 2015 is also providing significant business opportunities for Australian exports to Japan. Recognised as the most liberalising trade agreement that Japan has ever concluded, [JAEPA](#) is delivering substantial benefits for the Australian economy and enhancing business with Japan – Australia’s second largest trading partner.

[Austrade](#)’s Senior Trade Commissioner, Catherine Taylor, who is based in Osaka, says exporters who will benefit from [JAEPA](#) are wine and seafood producers and grape and orange growers.

“There is a renewed sense of opportunity around food, beverage and agricultural exports from Australia and now is the time to tap into it,” Taylor says. “It is also a chance to leverage the agreement and introduce more Australian technology and innovation. Apart from understanding how to access the preferential tariffs, it is equally important to understand the market opportunity for your product or service and make sure your export strategy aligns with it.”

Despite the excitement, there are some pitfalls for less experienced companies. Jude Lau, Audit & Assurance Partner at [HLB Mann Judd](#), says it’s crucial for both parties to sign a letter of engagement or a contract that sets out clear terms of business.

“In the case of services, you can be clear about up-front payment of agreed fees. I think 30 per cent should be the minimum,” he says. “In the case of goods, you want to ensure you will get a letter of credit from a reputable bank before you send any goods off.

“Quality can be another issue. Testing can be contentious. Be clear about the specifications, and be clear that the overseas partner will accept the results from your laboratory of choice.

“Yes, some of these things can be hard to discuss. But you’ve got to have some conviction about doing business. You don’t want to ship the stuff off and not get paid. That’s what I call wasted effort.”

[Austrade](#)’s Thirlwell comments that Australian exporters are a nimble lot who seem adept at switching to a better market when another one slows. That’s certainly a survival advantage.

“So you need to ask yourself: Do you have the ability to diversify? When we get feedback from our clients about the most valuable thing they’ve done to develop a

market, the number-one thing was visiting the market and getting to know how it operates. The second thing was growing their international sales and marketing team.”

The low Australian dollar, meanwhile, is both a thing of joy and a dilemma for exporters. How long will it remain at its current level? Although you won’t find many exporters requesting forward foreign exchange contracts when the Australian dollar is hovering around US\$0.70 and the RBA is showing no signs of raising rates, the currency is notoriously fickle.

Thirlwell, while emphasising that he is not a foreign exchange forecaster, thinks the commodity cycle is the biggest driver of long-run swings in the dollar and reiterates his belief that we’re unlikely to see another commodity boom of the magnitude of the past decade.

“There is still a lot of industrialisation expected from India and South-East Asia,” he says, “but I don’t think we’ll see another China.”

Resources for businesses and exporters

[Austrade](#) offers free online information about exporting. Topics on its website include export strategy, market research, freight and logistics, and financial assistance. There’s also an online International Readiness Indicator to assess if your company is ready for doing business overseas.

<http://www.austrade.gov.au/Australian/Export/Guide-to-exporting/Export-strategy>

Exporters may be eligible to participate in the [Export Market Development Grants scheme](#), a key Australian Government financial assistance program administered by [Austrade](#).

<http://www.austrade.gov.au/Australian/Export/Export-Grants>

[Efic](#) is Australia’s export credit agency. It partners with banks to provide financial solutions for small to medium-sized enterprises (SMEs) that are exporters, Australian companies in an export supply chain, Australian companies looking to expand their business operations overseas to better service their clients, and Australian companies operating in emerging and frontier markets.

<http://www.efic.gov.au/>

The commercial division of the [Australian Chamber of Commerce and Industry](#) can help exporters find agents and joint-venture partners and arrange trade delegations to various countries, on a fee basis.

<https://www.acci.asn.au/>

[Ai Group](#) may be able to assist you to find an export market for your product. Services are provided on a fee basis.

<http://www.aigroup.com.au/portal/site/aig/trade/export/>

[JETRO](#) is the Japanese government's trade facilitation arm. Services are available on both a free and fee basis.

<https://www.jetro.go.jp/australia/service/setting.html>

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