

The importance of open trade for Australia's post COVID economic recovery

By DEPARTMENT OF FOREIGN AFFAIRS AND TRADE

There is no doubt that COVID-19 has given rise to enormous economic challenges for policy makers, industry bodies and Australian businesses – both immediate and longer term. The Australian Government's commitment to open trade and investment and the innovation and resilience of Australian businesses in navigating highly competitive overseas markets has placed us in a strong position for economic recovery, however difficult that may be.

Open trade will be a vital element of any economic recovery, and that of our trading partners. It has expanded our global economy, enhanced our standards of living and lifted people out of poverty in our region. It has placed Australia in a position where, in the middle of an unprecedented global pandemic, we recorded in June our 30th consecutive monthly trade surplus - despite the disruptive impact of COVID-19 on economic activity, including on key service export sectors, tourism and education.

It is important even when times are tough that we do not lose sight of our economic values nor embrace protectionism. While temporary, targeted, proportionate and transparent measures to enhance our national response to the emergency health crisis are necessary – for instance to secure and/or manufacture vital PPE or safely fast track a vaccine – the fastest path back to normality is an open, rules-based global trading system that fosters business confidence in global supply chains.

As Senator the Hon Simon Birmingham said at his address to the National Press Club on 17 June 2020:

"An inward-looking Australia would be a smaller, poorer Australia. A country beset by inefficiencies and lower incomes. An economy unable to capitalise on our comparative advantages. At best we'd be average at everything, but potentially great at nothing".

While many economic challenges remain, there is no doubt that decades of commitment to open trade and investment underpin strong economic fundamentals that will give us a better chance at economic recovery. As a nation that relies on free flows of trade, capital and technology, we cannot go it alone.

The Australian Government is working tirelessly with our trading partners, including through active engagement in regional and multilateral forums – eg. G20, WTO, APEC to minimise disruptions to global supply chains and keep markets open for business. This will help Australia's trade-exposed businesses recover and come out stronger. The uncertain trajectory of COVID-19 and its wider implication mean that this will be a long-haul effort.

We are maintaining momentum in free trade agreement (FTA) negotiations with the European Union and commencing FTA negotiations with the UK to expand the range of opportunities available to Australian exporters. In addition, the Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA) entered into force on 5 July 2020. IA-CEPA provides improved or preferential access for Australian agricultural producers, manufacturers, services providers and investors. Over 99 per cent of Australian goods exports by value to Indonesia, including feed grains, live cattle, frozen beef, sheep meat and certain citrus will enter duty free or under these improved preferential arrangements. The commitment to discuss non-tariff measures comes at a critical time for both countries' COVID-19 recovery efforts.

With more than 80 per cent of air freight leaving Australia via passenger aircraft, the pandemic has hit many exporters particularly hard. The Government has ensured freight routes remain open for Australian exporters with a \$240 million funding injection to the International Freight Assistance Mechanism. This Mechanism has helped keep supply chains open, allowing exporters to continue to send their produce to overseas markets with return flights bringing back vital medical equipment and pharmaceuticals.

The Australian Government has established an AUD \$1 billion COVID-19 Relief and Recovery Fund to support regions, communities and industry sectors that have been adversely affected by the pandemic, including initiatives in aviation, agriculture, fisheries, tourism and the arts. AUD \$500 million has also been allocated to a COVID-19 Export Capital Facility to be administered by Export Finance Australia. This will give Australian exporters access to business-saving loans of between \$250,000 and \$50 million.

The Australian Government has, and will continue to work closely with, Australian businesses and industry bodies to identify and help them recover from COVID-19 disruptions – both at home and abroad through our network of state and territory offices and our overseas missions. We welcome feedback and insights from Australian businesses to help us understand, and tailor policy responses to, the rapidly changing COVID-19 situation. We continue to be inspired by stories of Australian business that are innovating and seizing new opportunities and supporting their local communities.

For more information on Australia's network of free trade agreements, please visit fta.gov.au and our FTA portal at ftaportal.dfat.gov.au. Australian businesses can also access the Government's new global market intelligence updates by emailing enquiries to business@dfat.gov.au.



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