



New International Development Policy

Submitted on behalf of the GTPA board:

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Introduction

GTPA is not-for-profit. **We undertake** leading global trade research and educational projects to support:

- capacity and capability-building in global trade
- supply chain opportunities for small and medium enterprises (SMEs).

GTPA can empower sound trade policy and standards as we address the needs of SME import and export businesses and trade policy decision makers.

We have expertise in research and policy development:

- Global standards for international trade
- Inclusive trade
- Global supply chains
- Trade facilitation and digitization
- Digital trade and eCommerce
- Trade and the environment

Standards

The only entity in the to offer global body for standards on international trade, including:

- ISO/IEC 17024 for global trade professionals
- ISO/IEC 17065 for global trading businesses
- ISO/IEC 17065 for global consulting services



Background of Aid for Trade as part of Australia’s New International Development Policy

The benefits of international trade are currently the subject of debate in various contexts, however, it has long been demonstrated that, even with its systemic imperfections which must be acknowledged, trade has been a powerful driver for economic value creation, inclusion, and poverty reduction, as well as peace and security.

Trade has, until the peak of the global crisis, grown at rates that exceed the pace of global GDP growth, and thus has also been referenced as a driver of growth of the global economy. In recent years, global supply chains are largely anchored in developing and emerging markets, with large buyers often engaging in trade with communities of suppliers numbering in the thousands or multiple thousands, including micro-enterprises sometimes belonging to local cooperatives.

It is in this macro-context that deliberations around trading out of poverty ought to be considered and understood.

Certain jurisdictions unabashedly leverage development assistance and poverty-reduction contributions to drive policy priorities and political influence, including procurement processes linked to assistance funds.

Philosophically, an initiative that aims to promote Aid for Trade by the Australian Government might usefully be positioned as a process rooted in partnership and mutual benefit, rather than an exercise in extending influence.

The Aid for Trade discussion relies on enabling successful trade flows across Australia’s key trading region the Indo Pacific. This approach can generate benefits as much for SME suppliers seeking prosperity through trade, as for large buyers helping to raise standards of living in consumer economies, including that of Australia.

Trade out of Poverty

Aid for Trade investments include specific initiatives aimed at bringing a range of commercial, policy and other best practices to markets that collaborate in this context. While this flow is often directed to developing markets, there are increasing instances where the flow is two-way, as was the case with M- Pesa and the deployment of mobile payment solutions.

In the end, trade and investment flows enable transfers of technology, support R&D and serve to facilitate the sharing of best practices, ideally reinforcing additional freer, rules-based flows of trade and capital.

In supporting the engagement of developing market SMEs into trade-based economic flows, Aid



for Trade assists in ensuring the overall health and sustainability of global supply chains, and serves as a mechanism for encouraging sustainable sourcing, good governance, labour and child safety, anti-corruption measures and a range of related Twenty-First Century trade practices. Aid for Trade, and development-oriented facilitation activities also include access to timely and affordable financing and trade financing for SMEs, often prohibitively expensive or simply inaccessible, despite the reality that small firms rely on cashflow and working capital for their commercial survival.

Australia can take a leadership role in shifting the nature and tone of the Aid for Trade and Trading out of Poverty discourse, from its historically paternalistic nature to one based truly on collaboration, mutual benefit, and genuine exchange of perspectives on key issues.

The GTPA welcomes the opportunity to provide input into the Inquiry into the strategic effectiveness and outcomes of Australia's aid program in the Indo-Pacific and its role in supporting Australia's regional interests.

The GTPA believes that it is imperative that the Australian Government leverage the success to date to continue to invest in meaningful and impactful Aid for Trade initiatives.

Given the demand for Aid for Trade is increasing among developing countries, as reflected by the SDGs, the GTPA is advocating for a continuation of the 20 per cent target for Aid for Trade. This is particularly important for MSMEs in developing countries who need capacity building assistance to conduct trade across borders. In a climate of increasing protectionism Aid for Trade will demonstrate inclusive trade that will be of mutual benefit to Australia and its developing country partners.

The GTPA recommendations are centered on four key areas that we believe are the priority areas for DFAT to prioritize when considering Aid for Trade as part of the overall Aid review:

1. Build & Maintain Regional Supply Chains through Risk Mitigation and Diversification
2. Driving Small Business Digital Leadership for Regional Growth
3. Supporting Inclusive Trade for Economic Empowerment
4. Developing regional trade climate policy standards and regulations
5. Ancient wisdom, new technology: ensuring First Nations are part of the digital future



Build & Maintain Regional Supply Chains through Risk Mitigation and Diversification

Today, more than two-thirds of world trade occurs through global supply chains. With the world economy facing multiple disruptions, including slow economic growth, trade disputes, climate-related disasters, and more recently the COVID-19 pandemic, global supply chains have been transforming rapidly, even more so now than at the beginning of 2020.

While past decades fostered an expansion and enlargement of global supply chains, more recently some have shortened and become more localised, a trend which is likely to increase in the coming years as multinational corporations (MNCs) as well as small and medium enterprises (SMEs) reconfigure their operations owing to the pandemic, rapid adoption of digital technologies and environmental concerns regarding sustainability and geopolitical uncertainty.

Equally important is the potential for supply chain disruptions as climate change is expected to significantly impact on trading patterns, resulting in more frequent extreme weather events, rising sea levels and decreased productivity (across labour, capital, and land). This is likely to increase the vulnerability of global supply chains, disrupting trade routes and ultimately reducing production outputs and the overall volume of global trade.

Australia should be supporting projects with the following objectives:

1. Work to identify alternative market sources of supply for critical goods and create a shared list of producers to improve SME business awareness of diversification options.
2. Mapping of alternative sources of supply for critical goods or their precursors in third countries, and workshops to engage key stakeholders across government and industry on how we might incentivise these sources of supply. This can also include stakeholders from APEC and IPF.
3. Surveys/ studies of businesses in critical sectors on key perceived supply chain risks, mitigations they are currently taking, and what role they want to see for government in mitigating these risks.
4. Stress test exercises for regional critical supply chains. This would simulate a series of potential external shocks to the supply chain, and convene key government, industry, and academic stakeholders to chart likely impacts and responses. As a result, a series of policy proposals for how Australia and regional governments can work with industry to make that supply chain more resilient.



Driving Small Business Digital Leadership for Regional Growth

Australia should support a multi-tiered digital leadership programme to develop, enhance and grow the digital competencies of Australia and the Indo-Pacific regions small and medium-sized enterprises (SMEs) and ultimately enhance the global competitiveness of our regional SMEs.

Support programs that are centred around supporting SMEs to grow globally, specifically designed to take SMEs on a digital journey that ultimately cultivates in improving and advancing SMEs participate in global markets and supply chain opportunities.

Any initiatives to empower digital leadership regionally will increase digital capability, improve digital standards of SMEs, thus reducing their risk and transforming them into more attractive partners and suppliers both domestically and internationally.



Supporting Inclusive Trade for Economic Empowerment

Trade is inclusive if all people can contribute to and benefit from international trade, with equality of opportunity as a given. Inclusive Markets are markets that extend choices and opportunities to the poor (and other excluded groups) as producers, consumers, and wage earners.

Inclusive trade promotes the inclusion of groups that may currently be marginalised or challenged in their ability to engage with international trading opportunities.

Disadvantaged groups include, but are not limited to:

- Women
- First Nations
- Youth
- Diaspora and immigrant communities
- People with disabilities

International institutions like the World Bank and OECD estimate it will take at least two years to recover the economic ground lost to Covid-19. Growth-enhancing policy measures can increase this timeline.

Ensuring trade is more inclusive and that its benefits reach and can be accessed by all in society can help contribute to this growth.

Both the health and economic crises caused by the pandemic disproportionately impact marginalised communities because of differences in health, socio-economic and political inequities. This further reinforces the need for more inclusive trade, ensuring that the gains from trade reach all in society.

Put simply, if we emerge from this crisis with old prejudices intact, we will have missed a golden opportunity to transform the international trading system into one that is more inclusive and benefit everyone in society.

The GTPA has a separate white paper on specific policy recommendations in this area that can be shared, or information can be found on the GTPA's Festival of Inclusive Trade portal.



Developing regional trade climate policy standards and regulations

The expansion of international trade has an obvious impact on climate change, with the movement of goods and services across borders currently increasing pollution and degrading natural resources.

Equally the global shift to non-tariff barriers (NTBs) to the trade of environmentally impacting goods will impact both the environment but potentially access to trade by least developed nations and small to medium enterprises without support to address these NTBs.

At the same time, international trade has the potential to increase the capacity of countries to effectively improve their environmental impact through access to technologies and new supply chains. Technologies that can not only increase the efficiency of local production processes, reduce the use of virgin natural resources, and improve other environmental impacts in the global economy.

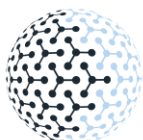
The right policy settings and the harmonisation of trade regulation and compliance procedures and standards can also incentivise importers, exporters, and shippers to adopt more environmentally responsible procedures to access new markets delivering a greater social and environmental responsibility in the production and movement of goods. This in turn would stimulate the use of cleaner production processes along their supply chains.

Equally important is the potential for changes in the environment to significantly impact on global trading patterns, with climate change expected to result in more frequent extreme weather events, and decreased productivity (across labour, capital, and land), this will increase the vulnerability of global supply chains, disrupt trade routes, and ultimately reduce production outputs and the overall volume of global trade.

Effective trade and environmental policies at national, regional, and multilateral levels can help to manage the impacts of trade on the environment and the impacts of the environment on trade. Advancing policy in this area is necessary to enable countries to effectively adapt and respond to trade rules and measures implemented by international organisations (including the private sector) and other countries in response to the challenge of climate change.

Potentially SMEs can also pose an integrity risk to global trade and supply chains. SMEs often create risk due to their lack of rigorous systems and processes to ensure minimum standards are met for integrity-related factors such as sustainability, ethical behaviour, and security.

Ensuring environmental integrity among suppliers and subcontractors is now increasingly seen as part of a global corporation's responsibility. In addition, social and environmental integrity is increasingly seen as integral to businesses from the perspective of strategic advantage, efficiency, commercial agility, and brand and risk management. Conversely, the potential impact of reputational damage due to a social or environmental integrity issue somewhere across the value chain cannot be underestimated.





Despite the general awareness of the importance of these issues, the potential for failures and the corresponding impacts across the full value chain is not understood widely or in depth.

When Accenture surveyed more than 700 members of the United Nations Global Compact on sustainable business practices, 96% of CEOs agreed that sustainability should be integrated into all aspects of strategy and operations. And 88% of them singled out the value chain as an area of specific importance. Yet only 54% of those CEOs affirmed that they had achieved value chain sustainability, while other evidence strongly suggests that their suppliers are still serious sustainability laggards.

It is apparent that part of the problem in building sustainable value chains lies in not having recognized standards covering all aspects of sustainability to which all organisations can adhere.

Australia should be leveraging Australian Aid regionally to support:

1. Leading research on understanding business needs and requirements around Climate change and the impact of trade regulation and compliance policy making moving forward.
2. Thought leadership on climate related trade policy.
3. Events to provide a forum for business, industry associations and policy makers to meet and discuss critical issues.
4. Capacity building programs to support business and policy makers
5. Creation of a regional Climate4Trade portal to provide a centralised resource to access up to date information, on demand events, upcoming events, reports.
6. Development of online tools to assist business to transform internal processes and procedures to meet the emerging ESG standards and related compliance and regulatory procedures.



Ancient wisdom, new technology: ensuring First Nations are part of the digital future

Inclusive trade refers to the principle that all levels of society should gain from increased trade. It promotes the inclusion of groups that may currently be marginalised or challenged in their ability to engage with international trading opportunities.

Two of the major themes emerging are leveraging technology for an inclusive recovery and delivering a trade agenda for a sustainable future.

The GTPA recommends that we as part of our Trade and Climate agenda we need to entrench the rich diversity that can be found in cultivating an open and sustainable trading environment for First Nations as well as an examination of all things inclusion, and trade from a First Nations perspective.

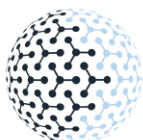
Regionally we need robust programs on the concept of inclusive trade and the issues facing those on the margins, but also highlights the achievements of those so often excluded from international trade and how we can learn from the past to develop a more sustainable trade future.

First Nations peoples are the original traders.

For centuries before colonisation, trade routes proliferated and ancient wisdom and technology shaped societies, practices, and relationships.

Whilst we embrace modern technology solutions to improve the greater inclusion of First Nation traders into our economy we can also learn from the past, particularly when you look to explore climate policy and sustainable food supply.

GTPA would like Australia's Aid review to examine how a closer cooperation between the ancient and the modern can lead to inclusion in trade, and digitisation that is relevant and beneficial to all.



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