

1 November 2018

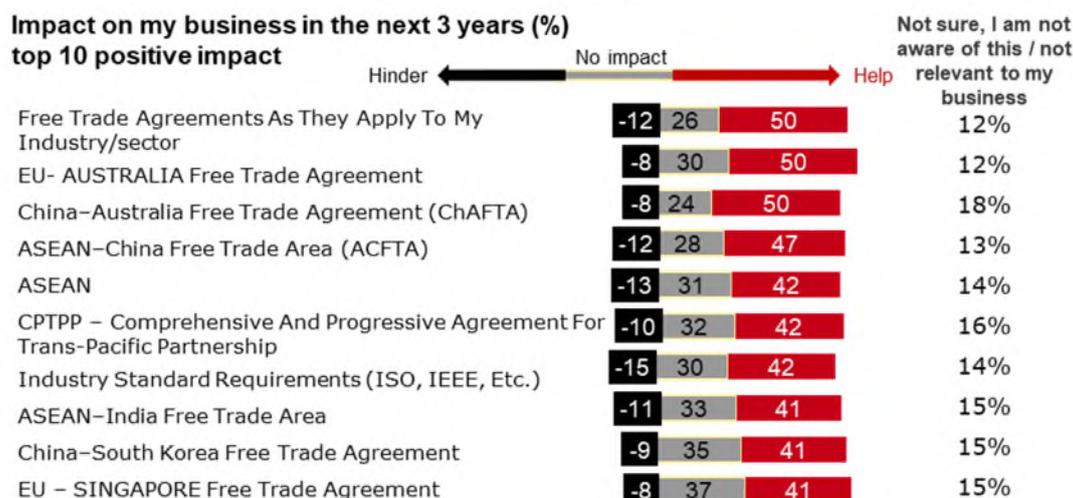
AUSTRALIA OPEN FOR BUSINESS DESPITE GLOBAL TRADE TENSIONS, RISING PROTECTIONISM

Australian businesses' enthusiasm for free trade and the opportunities it creates has not been dampened by the rising threat of protectionism and ongoing trade tensions, according to new research from HSBC.

Navigator: Now, next and how for business reveals that Australian firms are more optimistic than their global counterparts about international trade opportunities, with 89 per cent of respondents in Australia positive about the current environment, compared to a global average of 78 per cent.

"Australia's ever-increasing linkages with the Asia-Pacific region appear to be bolstering local trade confidence, as is the prospect of a Free Trade Agreement (FTA) with the European Union (EU)," said Steve Hughes, Head of Commercial Banking, HSBC Australia.

"Strong trade ties, underpinned by existing and future FTAs, continue to support Australia's economy and reinforce the importance of trade liberalisation efforts."



Half of Australian firms believe the China-Australia Free Trade Agreement (ChAFTA) will help their business over the next three years, while 42 per cent of businesses are optimistic about the recently ratified Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

Future growth markets

Top 3 growth markets

		COLUMN A	COLUMN B
	CHINA	19 %	+2%
	JAPAN	14 %	+9%
	UNITED STATES	12 %	-6%

Column A: Percentage of Australian businesses who will expand to this market in the next three to five years.

Column B: +/- % refers to the increase/decrease against HSBC Navigator 1 survey, conducted in December 2017.

“While China is considered the top growth market for Australian firms over the next three to five years, we’ve witnessed a nine percentage point increase in the number of corporates turning to Japan for growth since the end of last year,” Mr Hughes said.

“This underscores the benefits of increased access for Australian goods and services under the Japan-Australian Economic Partnership Agreement (JAEPA), which cut tariffs for the fifth time earlier this year, and the CPTPP that will build on these outcomes.”

Since entering into force at the beginning of 2015, JAEPA has offered preferential or duty-free access to more than 98 per cent of Australian exportsⁱ, including the elimination of tariffs on horticulture, such as fresh mangoes and berries. Likewise, under ChAFTA, 98.5 per cent of Australian goods enter China duty free or under preferential ratesⁱⁱ and China is the top destination for Australian service exports, valued at \$15.8 billionⁱⁱⁱ.

Australia’s trade ties in the Asia Pacific will be further reinforced by the potential signing of the Indonesia-Australia Comprehensive Economic Partnership Agreement, which will give business greater access to a country that is forecast to be the world’s fifth largest economy by 2030^{iv}.

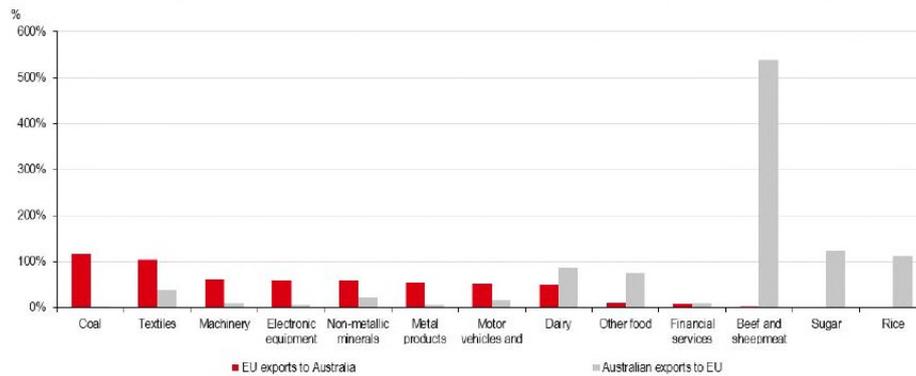
From Asia to Europe

Looking forward, half of Australian firms are optimistic that the trade deal under negotiation with Europe will have a positive impact on their businesses by broadening their trading opportunities outside the Asia Pacific region.

“Although not geographically close, the EU and Australia share similar policy orientations, business cultures, high standards for labour and the environment. An agreement between these two economies could see an uplift in exports from the EU’s machinery, automotive and textiles sectors, and a dramatic increase in exports of beef and sheepmeat from Australia to the bloc,” said Mr Hughes.

The European Commission estimates that this ambitious accord could boost goods trade between the two parties by 37 per cent, and services trade by 8 per cent^v. Compared with current arrangements, it could lead to a USD3.1bn to USD4.9bn gain in Australian GDP by 2030 depending on the final terms of the agreement^{vi}.

Estimated growth in EU-Australia exports under comprehensive liberalisation



Source: European Commission EU-Australia Free Trade Agreement Impact Assessment, <http://ec.europa.eu/transparency/regdoc/rep/10102/2017/EN/SWD-2017-293-F1-EN-MAIN-PART-1.PDF>

“Like ChAFTA and the CPTPP, removing barriers to trade in goods and services between Australia and the EU will create opportunities for Australian corporates, drive economic growth and spur the creation of jobs,” Mr Hughes said.

“Understanding how business can benefit from new or existing policy initiatives should be high on the agenda for internationally-minded firms. Combined with advancements in technology and digitisation, supportive trade policies are connecting Australian businesses to off-shore customers more than ever before,” he added.

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Media enquiries to:

James Courtney	+61 9006 5043 / +61 466 499 856	james.d.courtney@hsbc.com.au
Alison Kahler	+61 2 9006 5583 / +61 403 964 750	alison.kahler@hsbc.com.au

Note to editors:

HSBC Navigator: Now, next and how for business

HSBC’s Navigator report comprises a global survey gauging business sentiment and expectations on trade activity and business growth from 8,650 decision-makers in 34 markets, including 200 businesses in Australia. Research was conducted by Kantar TNS for HSBC between August and September 2018.

HSBC’s Navigator helps businesses capitalise on new opportunities and make informed decisions for the future by understanding the outlook for international trade.

The full report can be accessed here: www.business.hsbc.com/trade-navigator

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ⁱ Media release: More tariff cuts under Japan-Australia FTA, Minister for Trade, Tourism and Investment, April 2, 2018

ⁱⁱ Speech: UTS-Australia China Relations Institute event – Canberra, Minister for Trade, Tourism and Investment, 28 June 2018, pg. 3

ⁱⁱⁱ Media release: Services exports reach new record, Minister for Trade, Tourism and Investment, 6 August 2018.

^{iv} <https://dfat.gov.au/trade/agreements/not-yet-in-force/iacepa/Pages/ia-cepa-key-outcomes-for-australia.aspx>

^v EU-Australian trade: new talks aim for an ambitious bilateral accord, Doug Lippoldt, HSBC Global Research, pg. 1

^{vi} EU-Australian trade: new talks aim for an ambitious bilateral accord, Doug Lippoldt, HSBC Global Research, pg. 8