

October 9, 2020

## Australian Budget 2020-2021 – International Trade Developments

Dear Valued Customer,

The 2020-2021 budget for Australia was announced this week. Included in the announcement were updates aimed at assisting our agricultural exporters, the support for continued development of the single window trade system as well as the extension of the International Freight Assistance Mechanism (IFAM). The Freight and Trade Alliance (FTA) summarises the developments below:

**Trade outlook** – Traders, carriers, forwarders and customs brokers can expect steady volumes over the next year. While exports and imports are expected to each fall by 9%, these decreases are caused by large falls in the import and exports of services (such as education and tourism). Goods trade should be steady. However, its largely guesswork as there has probably never been a harder time to predict the future economic performance of our key trading partners.

**Duties on certain medical and hygiene products** – An immediate COVID-19 measure taken by the Government was to waive customs duties on certain hygiene and medical products. As expected, this duty waiver has been extended to 31 December 2020 at a cost of \$7.2 million. The duty-free products include face masks and gloves but excludes hand sanitiser.

**Diversifying trade** – The Government has previously hinted at a need to be less reliant on Chinese trade and has committed \$6.6 million to "expanding and diversifying trade". How this will occur has not been stated, but the Government has not been subtle in linking the measure with the free trade negotiations with the EU and the UK. Related to this, the budget estimates continue to make provision for a Free Trade Agreement with India and the conclusion of the Regional Comprehensive Economic Partnership.

For those waiting for a duty-free European car, 2022-23 could be the year, with duty on passenger motor vehicles expected to fall from \$340 million in 21/22 to \$100 million in 22/23.

**Simplified Trade System** – A number of measures were announced to produce a less complex trade system including:

- \$7.8 million to reduce compliance complexity for Australian business
- \$12.8 million over two years from 2020-21 to develop a new border intervention model for sea and air cargo
- An extension of the Trusted Trader Scheme for a further 3 years. The Government has forecasts that this measure will reduce revenue by \$7.5 million over 3 years. It is not immediately clear why deferring duty should result in a reduction of, and not simply a deferral, of revenue.

The Government said "Setting the foundations for a Trade Single Window is an important part of this work and will build on reforms of trade regulations and processes to make it easier for businesses to integrate into global supply chains." It is noted that currently, 28 agencies regulate trade at the border, applying more than 120 pieces of Commonwealth regulation. For most traders, it would be enough if the Australian Border Force and the DOA streamlined their border activities.

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C.H. Robinson.

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