



Best Practice Regulation Guidance Note

Trade Impact Assessments

As part of its response to the Organisation for Economic Cooperation and Development report *Towards a Seamless National Economy, 2009 Review of Regulatory Reform: Australia*, the Australian Government committed to clarifying the use of trade impact assessments (TIAs) in the broader Regulation Impact Statement (RIS) process.

This note describes the trigger for the preparation of a TIA which forms part of a RIS, what should be examined in a TIA, and provides a hypothetical example TIA.

Trigger for preparation of a Trade Impact Assessment

A TIA is prepared as part of a RIS; that is, once the RIS requirements are triggered, the Office of Best Practice Regulation would consider whether a TIA should be prepared.

A TIA is required when a proposed regulation is likely to have a significant direct impact on trade. This impact can be positive or negative.

Regulations have a *direct* impact on trade when they stipulate whether, how or on what terms trade in goods or services take place. Such regulations include:

- Tariffs or other taxes on traded products;
- Import or export bans; or
- Permissions to trade (licenses, student visas, etc).

Whether a level of trade is *significant* should be assessed with reference to the total value of trade that may be affected.

What form would the Trade Impact Assessment take?

The TIA is a summary section in the RIS at the end of the impact analysis of the preferred option, and should be around half a page or less in length.

What is in a Trade Impact Assessment?

You are already required to consider the trade impacts of the proposed regulation in the RIS. As such, the TIA should not contain any additional information: its purpose is to clearly summarise the existing information on trade impacts. The suggested structure of a TIA is:

How would the regulation impact trade?

You should provide a brief statement on how the regulation would impact on exporters or importers. Possible impacts include:

- Banning certain trading activities;
- Regulating importers/exporters; or
- Imposing product standards that would have the impact of banning certain products from importation.

The statement should also describe if/how it relates to Australia's international commitments, including under the WTO and other existing treaties or agreements.

How significant is the trade in affected products/ services?

You should outline data on the current trade in affected goods and services (value and volume), likely future trends in trade, and main trading partners.



How would the value of trade change as a result of the regulation?

If available, you should discuss in the TIA the likely impacts of the regulation on the value and volume of trade, and whether some imports/exports would be more affected than others. If the trade impacts have been modelled, the results should be presented here.

Identify impacted stakeholders

You should identify the main stakeholders, disaggregated as relevant. For example, would regulations be likely to affect particular Australian importers or exporters more than others? Are there any regions where these groups are concentrated?

You should not go into too much detail on stakeholder impacts, as this should have been covered in the main body of the RIS. The TIA should only include a summary of the main impacts.

Assistance from the Department of Foreign Affairs and Trade

Once you are informed that you need to prepare a TIA, you should contact the Resources Competitiveness and Trade Analysis Branch (RCB) of DFAT, who will be able to provide advice on analysing the potential trade impacts of a proposal.

Example Trade Impact Assessment

In this hypothetical example, standards would be introduced to limit the emission of pollutants by garden power tools sold in Australia.

The proposed regulation would limit the types of garden equipment engines that could be imported into Australia to those meeting a minimum emissions standard. The proposal is consistent with Australia's international commitments, including those under the Agreement on Technical Barriers to Trade.

Approximately 90 per cent of garden equipment engines (or 1 million engines) sold in Australia each year are imported; worth around \$350 million in 2010-11. Around 70 per cent of these imports come from China, with the balance from the EU and the USA. The value of exported garden equipment engines is negligible.

The regulation is likely to impact predominantly on low-cost garden equipment imported from China, as the majority of these products do not currently meet the proposed standards. Approximately \$150 million worth of these products were imported in 2010-11. As it is unlikely that any manufacturers of these products would be likely to meet the proposed standards in the short to medium term, the demand for these products will need to be met from alternative suppliers. As such, imports from the USA and the EU are expected to increase by \$180 million a year as a result of the proposed standard.

The main affected stakeholders in Australia will be:

- consumers who would have bought lower-priced garden equipment, and will have to purchase higher-priced equipment;
- the broader community, which will benefit from cleaner air; and
- importers of equipment that will not meet the proposed standards will need to find alternative suppliers or will be forced out of business. These importers are predominantly independent operators; this is in contrast to importers of compliant equipment, which are more likely to be subsidiaries of engine manufacturers.