



## TRADE IMPACT ASSESSMENTS

February 2016

Where a policy proposal has a direct bearing on trade performance, a trade impact assessment (TIA) should be incorporated into your Regulation Impact Statement (RIS) to give the decision maker a summary of the impact of regulatory options and the overall impact on Australia's international trade.

This guidance note describes the trigger for the preparation of a TIA, sets out what should be examined in a TIA, and provides a hypothetical example.

### Trigger for the preparation of a trade impact assessment

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

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
- permissions to trade (for example licences).

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

TIA's are applicable only for Long Form or Standard Form RISs.

### What form does the assessment take?

The TIA is a summary section in the RIS at the end of the impact analysis of the preferred option (RIS question 4), and should be around half a page or less in length. See the *Australian Government Guide to Regulation* for more information on impact analysis.

### What is in the assessment?

You are already required to consider the trade impacts of the proposed regulation in the RIS. 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 as follows.

#### How would the regulation impact trade?

Provide a brief statement on how the regulation would affect exporters or importers. Possible sources of impacts include:

- banning certain trading activities
- regulating importers/exporters

- imposing product standards that would effectively prevent the importing of certain products.

Also state whether the proposed regulation relates to Australia's international commitments, including under the World Trade Organization and other existing treaties or agreements, and, if so, how.

#### How significant is the trade in affected products or services?

Present 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?

Discuss the likely impacts of the regulation on the value and volume of trade, and whether some imports or exports would be more affected than others. If the trade impacts have been modelled, the results should be presented here.

#### Identify affected stakeholders

Identify the main stakeholders, disaggregated if that is relevant. For example, would regulations be likely to affect particular Australian importers or exporters more than others? Are there any regions where those groups are concentrated?

You should not go into too much detail on stakeholder impacts, including the quantification of regulatory burden, as they should be covered in the main body of the RIS. The TIA should include only 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 DFAT Regulatory Reform Unit, which will be able to provide advice on analysing the potential trade impacts of the proposal.

#### Assistance

If you have any questions about this guidance note, email OBPR at [helpdesk-OBPR@pmc.gov.au](mailto:helpdesk-OBPR@pmc.gov.au) or call (02) 6271 6270.

Your portfolio Regulatory Reform Unit is also a useful source of information.

Further information on the RIS process is in the [Australian Government Guide to Regulation](#).

## Example trade impact assessment

In this 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; they were worth around \$350 million in 2010–11. Around 70 per cent of the imports come from China, with the balance from the European Union and the United States. 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 most of those products do not currently meet the proposed standards. Approximately \$150 million worth of these products was 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 the products will need to be met from alternative suppliers. Imports from the United States and the European Union 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 be subject to higher priced equipment
- the broader community, which will benefit from cleaner air
- importers of equipment that will not meet the proposed standards, who will need to find alternative suppliers or be forced out of business (these importers are predominantly independent operators)
- importers of compliant equipment, who will benefit from having less competition (these importers are in many cases subsidiaries of engine manufacturers).