INDUSTRY'S RECOMMENDATIONS – AN ACTION PLAN TO BOOST AUSTRALIAN SERVICES EXPORTS
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INDUSTRY’S RECOMMENDATIONS ON A PAGE – 17 KEY ACTIONS

ADDRESS DOMESTIC REGULATORY COMPLEXITY

Domestic policy decisions have real implications for the competitiveness of Australian services exporters. Reducing barriers at home should be a priority.

1. Ensuring trade and investment issues are properly considered in policy-making processes
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2. Developing a program of national regulatory reform
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3. Working towards national regulation of professions in Australia
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5. Making it easier for services firms to access international talent
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6. Ensuring tax policy and advice support other efforts to drive financial services exports
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7. Reviewing Australia’s prudential and licensing capital requirements for financial services exporters
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MAKE PROGRESS ON BARRIERS OVERSEAS

Government should work with industry to overcome behind-the-border and regulatory barriers in important markets and promote Australian regulatory practice.

8. Developing an action list of barriers in foreign markets which affect the export of services

9. Advocating for cross-border data mobility and security, both domestically and internationally

10. Helping Australian professionals to practice in key markets without needing full registration

11. Promoting Australian standards and regulatory best-practice

12. Promoting greater harmonisation in regional regulation of financial services

SUPPORT SERVICES FIRMS AS THEY INTERNATIONALISE

Services exporters face different challenges to goods exporters in overseas markets, so tailored government assistance is warranted.

13. Developing a strong narrative and brand, linking with the Nation Brand, to support Australian services firms in new markets

14. Providing information on services outcomes in FTAs, and advice on how to use them

15. Doing more to promote and develop Australia’s cyber-security sector

16. Developing a coordinated voice to represent Australian e-commerce

17. Helping services firms access existing export support
The 2018 Federal Budget funded a $15 million business engagement package with a suite of measures to support Australia’s commercial interests. For the first time, the suite of measures announced included development of a strategy to increase the competitiveness of Australia’s services industries, with a view to enhancing Australia’s services export performance.

This is an historic opportunity for Australia’s commercial services providers and especially for the micro, small and medium sized businesses that overwhelmingly dominate the services sector. Never before has the Federal Government provided the services industries with the current level of opportunity for consultation and engagement.

There is an opportunity also for broader industry involvement beyond the services sector alone. This is because economic realities today are very different from even a few years ago. “Servicification” is now an evident global reality. All other sectors of the economy are increasingly dependent on the competitiveness of services inputs not only for export but for their very survival. This trend is intensifying daily with the transformation to the digital economy and the overwhelming dependence of all industries on speed of access not only to services talent but also to data.

The suite of measures announced in the 2018 Federal Budget also included a strategy to address non-tariff barriers that materially impact Australian exporters. Of course, for services businesses, all the barriers that impact their export are by definition not in the nature of tariffs. This aspect of the Government’s new commercial diplomacy strategy is oriented only to addressing non-tariff barriers faced in off-shore markets. By itself this aspect of the overall strategy would miss a big part of the point from a services business perspective, because for services firms, efficiency of domestic regulation is as important at home as it is off-shore. Fortunately the specific mandated focus on services export competitiveness provides Australian services providers with a unique historic opportunity to also address inefficient non-tariff barriers into the Australian services market, including regulatory red tape at both a Federal and State Government level.

Separately, and somewhat earlier, the Department of Foreign Affairs and Trade (DFAT) also adopted a new internal priority focus, for the first time, on support for professional services exports. Again, this is a vital step for a critical set of services industries which traditionally have not had any identifiable government portfolio “home”.

For all these various reasons, the services industries have arrived at a moment in time when, after decades of neglect, they can genuinely expect Government to take heed of their expressed concerns and address the impediments to services business, both at home and off-shore.

To assist the process of services business engagement, DFAT had the foresight, at the time of preparation of the Foreign Policy White Paper, to also commission a comprehensive background study by the OECD Secretariat on the competitiveness of the Australian services sector. The Study was designed to assess the current performance and identify obstacles to reaching full services export potential. The Department convened an industry stakeholder consultation group which engaged actively over eighteen months with the OECD Study team, providing solid industry input and comment on early draft versions of the text.
The final version of the OECD Study “Australian Services Trade in the Global Economy” was published in September 2018. It highlights the importance of coordinated domestic policy action, priorities for promoting behind-the-border regulatory reforms in strategic international markets, and the benefits of an ambitious bilateral, plurilateral and multilateral trade policy agenda that contributes to rules-based certainty and predictability in services trade globally. The cluster of policy and regulatory reforms recommended by the OECD Study reinforces decades of domestic business advocacy and helps build momentum towards a whole-of-government strategic response.

Along with the Australian Government, Australian services industry stakeholders are now equipped with the latest statistical data and the advice of the OECD Secretariat. The task of the stakeholder working groups is to take that information, supplemented by material from other relevant studies and combine it with practical business insight and experience to identify the issues which need to be addressed and in so doing to formulate a coordinated national action agenda to boost services export performance. This issues paper is designed to kick-start an industry-led process of identifying impediments to international business for all Australia’s services industries as well as within identified priority sub-sectors, and proposing measures to address them.

James Angus Bond
President
Australian Services Roundtable
Representatives from the services sector have developed these recommendations to feed into an Action Plan to boost Australia’s services exports.

On 29 November 2018, the Minister for Trade, Tourism and Investment, Senator the Hon Simon Birmingham, hosted a high-level business Roundtable in Canberra to initiate a formal partnership between the services sector and government to boost Australia’s services competitiveness and grow our services exports.

Roundtable participants agreed to form a number of working groups to participate in short, sharp, 12 week policy sprints. The first working groups were formed around financial services, professional services and ICT. A separate working group looked at ‘cross-cutting’ issues which affect all services sub-sectors. Policy sprints on health services and creative industry services are currently underway. Other sub-sectors will follow.

This document presents a shortlist of the first working groups’ recommendations to government. They draw from the Australian Services Roundtable’s issues paper1 (commissioned for this project), the OECD’s 2018 report on Australian Services Trade in the Global Economy2, and from earlier work (including a 2015 report by the Productivity Commission3). Recognising the limitations of the 12-week sprint, some of the working groups’ recommendations call for further work to investigate specific issues in more detail.

1. “Australian services exports: an issues paper”, prepared by the Australian Services Roundtable for DFAT, April 2019
How are services exporters different?

Services industries conduct international business differently from merchandise exporters. Rather than producing and shipping a physical product from the place of manufacture to the customer, exporting services involves delivering solutions to clients' problems.

The means by which service export are delivered vary and are often driven by the specific requirements of clients. Services exporters may also need, or may be required by the regulatory environment in the foreign market, to set up a commercial presence offshore. The General Agreement on Trade in Services (GATS) covers four modes of supply for the delivery of services (see below). Across all these modes of activity, services exporters have much in common:

- Services exporters tend to have non-resident business clients rather than geographic markets, and clients often take them into different geographic destinations on a one-off basis.

- Client needs are not static. Building a services export reputation is about building international relationships, nurturing a culture of customer focus and client confidence, and developing aptitudes to recognise emerging opportunities and respond rapidly with new, innovative solutions offerings.

- Clients often require a long term relationship because services exports cannot be examined on the spot for quality. The intangibility of services requires that mutual trust must be built between buyers and sellers.

- Services exports tend to be project-based. Every client has different specific needs and each export project tends to require a slightly different services offering. This means services firms can rarely find additional export markets without innovating – rather than promoting an existing ‘product’, they need to promote their capacity to diagnose client needs and create individual services offerings for new international clients.

- Each export project is likely to require a slightly different implementing team of talent and ideas, so services firms often need to move people around quickly, including across borders.

FOUR MODES OF SERVICE DELIVERY

MODE I, CROSS-BORDER SUPPLY:
exporter provides services from one country to another, but only the service crosses the border and neither the exporter nor the consumer moves.

MODE II, CONSUMPTION ABROAD:
exporter provides services to customers who cross the border to consume them. Only the consumer moves. Tourism and education are prime examples. This is treated as an export when tourists and students travel to Australia.

MODE III, COMMERCIAL PRESENCE:
exporter sets up operations in another country to provide services there. Only the exporter moves and establishes an on-the-ground presence in the consumers market as a foreign affiliate. Examples include construction firms forming joint ventures with local partners.

MODE IV, MOVEMENT OF NATURAL PERSONS:
exporters move temporarily from one country to another to deliver services there. This can include architects travelling to another country to provide design services.
The service is delivered from Australia, via the Internet, to a customer overseas.

The service is delivered overseas by a subsidiary set up by the Australian service provider.

The service is delivered in Australia, in person, to a customer who has travelled here.

The service is delivered overseas, in person. The service provider has travelled to deliver it.
THE ECONOMIC VALUE OF AUSTRALIA’S SERVICES TRADE

Australia exported more than $400 billion in goods and services in 2017-18 with services making up over $88 billion, or one fifth, of Australia’s total export.

The two top services exports are tourism and international education, which account for over three-quarters of Australia’s services exports. In 2018, 9 million international tourists visited Australia. In 2017-18, tourism export were worth $37.4 billion to our economy and supported the employment of over 640,000 people. In 2017-18, education export were worth $33 billion. Australia is the third largest provider of education to international students, attracting more than 690,000 students from more than 180 countries each year.

Australia’s services exports grew by 9 per cent in 2018. However, it is challenging to ascertain the full scale of the contribution the services sector makes to Australia’s economy. Not only can Australia’s geographic isolation sometimes make it harder to deliver services compared to countries that border other nations, but the main measure used in our National Accounts (gross flows) underestimates the contribution of the services sector to Australian export.

Because many services are not traded directly, the contribution of services to export is more fully captured on a value-added basis. For instance, land transport and electricity services used in the mining and export of resources are reflected in trade on a value-added basis. On a gross export basis these inputs are incorporated into in the value of the resources traded and are not separately identified. When measured on a Trade in Value Added (TiVA) basis, almost half of Australia’s gross export can be attributed to services.

To understand the full value of services provided abroad by Australian firms and residents, the services delivered by Australian firms with branch offices abroad must also be taken into account. In many cases it is often necessary (or preferable) to set up a branch office – a ‘foreign affiliate’ of the Australian firm in a host country to deliver services (e.g. construction services and professional services). The services provided by foreign affiliates are referred to as Foreign Affiliates Trade in Services (FATS). Neither the simple gross flows measure nor the trade in value-add measures capture services delivered in this manner. Instead, they are recorded in the nation’s Balance of Payments figures as returns on investment. Industry acknowledges that the Australian Bureau of Statistics (ABS) has been commissioned to undertake a survey of Australian owned businesses undertaking economic activity overseas to capture this FATS activity. This will help give businesses and policymakers a better and more holistic picture.

WHY THE COMPETITIVENESS OF AUSTRALIA’S SERVICES SECTOR MATTERS

Services sector productivity and competitiveness matters for Australian services industry growth, services sector employment, services sector income levels and services trade and investment performance. For example, services contribute 82 per cent of Australia’s domestic production, nearly 80 per cent of employment, and 91 per cent of female employment. Even relatively small improvements in services competitiveness can be expected to translate into sizeable economic gains.

With the world moving toward knowledge-driven economies, relying on digital and technology-based services and automation, and countries and companies seeking innovative services solutions, Australia’s export are likely continue to shift from goods to services. Services and technology export are increasingly embedded across all of Australia’s export sectors and underpin their future growth prospects. Services firms across the agriculture, health, education, resources and other sectors are expanding beyond domestic value chains, marketing Australian capability offshore in new fields like ag-tech, med-tech and ed-tech. Cross-cutting technologies in artificial intelligence, blockchain and cyber security offer opportunities to add value across all sectors of the economy.

Without efficient services, goods cannot be successfully traded at all, so economic reforms which deliver efficiency gains and improve domestic competitiveness in services can be expected to improve goods trade as well as services trade. The most obvious examples are road, air and maritime transport (freight and port services), logistics (storage, warehousing, and freight forwarding), express delivery, payment and distribution services.

A major structural change in economic activity, often termed ‘servicification’, is spawning new business models at the interface of goods and services production. Particularly apparent in manufacturing, this occurs when firms which traditionally produce and trade merchandise goods, move to selling and exporting more services as integrated components of their product offerings. For example, embodied services like transport, communications, insurance, accountancy, and design are essential for the creation of goods in the mining, agricultural and manufacturing sectors.

Other services are embedded at the point of sale, including financing, training, maintenance, and other after-sales service. For many manufactured goods, especially high value ones, services can account for a large proportion of the value of the goods.
The OECD study found Australia has a generally liberal domestic regulatory regime across a broader range of internationally traded services.

This open regulatory system is no accident. Australia’s experience has shown that growing our services sector internationally has to go hand in hand with domestic economic liberalisation. The relatively small size of the consumer-base in Australia has always meant that growth has to be linked with looking overseas to the vast markets of our region and beyond.

Because an efficient, competitive and flexible business environment at home can make Australian firms strong competitors internationally, there was a focus in Australia in the 1980s and 1990s to look at how services were regulated. This resulted in Australia embarking on a path of reducing trade barriers and the introduction of National Competition Policy and related reforms.

On the global stage, Australia has championed the liberalisation of trade in services – in the World Trade Organization (WTO), in our bilateral and regional trade agreements, and in our support for services liberalisation and economic cooperation in forums such as APEC.

Australia has worked to encourage services trade through open markets and non-discriminatory treatment as a means to create more jobs, and increase incomes. In recent years, coordinated whole-of-government and industry strategies have helped to grow and develop the tourism and international education sectors.

Through technology, Australia’s services offerings are evolving and more traditional services are being packaged and delivered in new ways. That means we need to keep working to ensure domestic and international regulatory environments are flexible and fit-for-purpose to support the changing ways services are delivered and consumed.
INDUSTRY’S RECOMMENDATIONS
ADDRESSING DOMESTIC REGULATORY COMPLEXITY

Domestic policy and regulatory settings have real implications for the competitiveness of Australian services exporters, and for Australia’s reputation as an open economy and a trusted provider of quality services offerings. However, proposals for domestic policy and regulatory reforms don’t always consider the impacts on Australia’s services exporters. Addressing competitiveness constraints at home should be a priority.
ENSURING TRADE AND INVESTMENT ISSUES ARE PROPERLY CONSIDERED IN POLICY-MAKING PROCESSES

Business representatives gave examples of government decisions, relating to security and immigration issues in particular, which have had negative and unintentional consequences on services exports.

All working groups were of the view that more comprehensive consultation is needed to ensure trade and investment issues are fully considered in the policy-making process. Particular effort needed to be made to engage micro, small and medium-sized service providers, which overwhelmingly dominate the services sector. One option would be to improve the Regulatory Impact Analysis process, and widening consultation processes, both across government and with business. Policy making could also be improved if a proactive approach to better understanding the landscape that services firms operate in was injected into the process.

INDUSTRY RECOMMENDATION

A

The Government should strengthen the analysis and sectoral input made available to decision-makers in relevant domestic policy processes to ensure the impacts on trade and investment are able to be properly taken into account.
DEVELOPING A PROGRAM OF NATIONAL REGULATORY REFORM

Recognising that the efficiency of Australia’s domestic business environment has a strong bearing on the international competitiveness of services exporters, the Government should be encouraged to undertake a thorough analysis of the opportunities to address regulatory impediments and inefficiencies at home. A Productivity Commission Review into the domestic regulatory environment and its impact on both the domestic economy and services trade opportunities could build on the Commission’s 2015 review into Barriers to Growth in Services Export, and could form the basis for a domestic regulatory reform agenda for the Government to tackle some of the regulatory reforms identified, including occupational licensing and registration issues.

INDUSTRY RECOMMENDATION

A

The Government should develop a program of national regulatory reform, to be progressed through COAG, to deal with domestic regulatory impediments and inefficiencies.
Operating nationally in Australia often provides the scale necessary for professional services firms to commit to an international expansion. However, multiple professional registration and licencing requirements, as well as many other business operational requirements, vary between Australian jurisdictions. These add compliance costs for firms seeking to reach a scale which can sustain export capability.

For example, architects are regulated by the eight State and Territory registration boards, each with its own set of legislation and regulations. Some jurisdictions require architects to hold professional indemnity insurance while others do not. Continuing professional development requirements also vary from one jurisdiction to another, and registration dates also differ by jurisdiction, some based on a calendar year, others on a financial year.

A seamless business environment – with more regulatory coherence, if not uniformity – would help provide a ‘springboard’ for professional services exporters to grow more quickly in their home market, and then be in a better position to grow beyond it. There needs to be greater consistency, including across industry-managed regulatory frameworks. This is not intended to be a deregulatory process or a process to develop a single national market. Rather, it would be, where possible, a process to improve consistency across jurisdictions, recognising that many regulatory measures which affect the professional services sector in Australia are genuinely focused on maintaining standards or protecting the consumer and public safety. Improving existing collaborative agreements and the effective application of them between Australian jurisdictions on professional qualifications and licensing is one possible approach, and this could involve revisiting the Seamless National Economy program’s National Occupational Licensing reforms.

The working groups were also of the view that consistency in the regulation of professions across Australian jurisdictions would be helpful in international trade negotiations – being able to present a single set of requirements would place Australia in a stronger position at the negotiating table.

INDUSTRY RECOMMENDATIONS

A

The Australian Government should drive national consistency in business requirements for professional services providers in partnership with professional services peak bodies. Consideration should be given to working with one professional services sub-sector first to create a model approach that could then be adopted by other professions.

B

Recognising that there is no one Minister responsible for most professions, the Government should identify a champion to prosecute this initiative through COAG.
IMPROVING THE QUALITY OF DATA AND STATISTICS ON SERVICES EXPORTS

Part of the challenge in developing evidence-based solutions for the services sector is access to accurate, complete and timely statistics on Australia’s services exports. This is because, as noted earlier, traditional balance of payments statistics significantly underestimate service flows as they don’t separately capture all embedded services or the sale of services abroad by foreign affiliates of Australian businesses.

The underestimation of the true contribution of services exports to Australia’s economy affects policy making and program design. With a stronger picture of the nature of export services, modes of delivery, export value, trends, and key markets, government and industry would be better-placed to develop and implement:

- fit-for-purpose regulatory frameworks;
- meaningful export strategies which are essential to successfully establish and maintain export businesses in the longer term; and
- evidence-based, targeted export promotion policies and programs.

Investment to develop a sustainable services data asset is required. The working groups noted that the Government has commissioned the ABS to undertake a survey of Australian owned businesses undertaking economic activity overseas, which will contribute to addressing this gap. However, while this survey will be a valuable addition, the working groups observed that this is only a one-off financial commitment. Alternative data sources, such as banking or other large transactional datasets, could offer another window into the markets for services exports, beyond the traditional analyses which underpin the National Accounts.

INDUSTRY RECOMMENDATIONS

A
The Australian Government should provide ongoing funding for the ABS to undertake regular services export surveys and produce a national dataset, including earnings of Australian foreign affiliates.

B
The Australian Government could work with industry to build on other activities (such as the Australian International Business Survey) and conduct a services sector specific survey to provide a snapshot that can be combined with existing ABS data to build a better picture of services exports and international practice.

C
The Australian Government should examine how alternative data sources could help to better understand Australia’s services exports, with the view to developing a robust data asset that provides timely insight into the true value of the services sector.
Many services exports involve the movement of people across national borders to undertake work, in person, in foreign markets. Barriers to the temporary movement of people remain key constraints for services exporters. The ability to move employees in and out of Australia as smoothly as possible is therefore essential.

A skilled migration policy that complements, integrates with and supplements Australia’s approach to skilling and training its citizens is essential for the development of internationally-competitive skills in Australia’s services sub-sectors. A supportive skilled migration policy should also make appropriate linkages between temporary and permanent migration to make Australia an attractive destination for globally-mobile talent.

Working Group representatives identified a need for stronger consultation with business and the community on skilled migration policy issues and, in particular, a need for closer alignment between the services sector’s skills needs and visa rules.

**INDUSTRY RECOMMENDATIONS**

**A** Commission an independent review of Australia’s skilled visa regime. Such a review should consider how to improve processes to engage business and education sector representatives in designing the skilled migration system, and how to better align visa rules with the service sector’s skills requirements.

**B** Lift the restrictions on skilled migration to include people over the age of 50 to improve Australian services firms’ access to qualified personnel.

**C** Continue to streamline the visa system to reduce complexity and costs for services firms when accessing international talent.

**D** Continue to pursue the recognition of Australian qualifications and professional recognition overseas, and in-demand foreign qualifications in Australia.

**E** Ensure Australia’s approach to education, training and skilling of its own workforce meets the skills needs of services exporters.
ENSURING TAX POLICY AND ADVICE SUPPORT OTHER EFFORTS TO DRIVE FINANCIAL SERVICES EXPORTS

When operating in a global environment, firms need to ensure they and their intermediaries are meeting their taxation obligations. The complexity of Australia’s tax system can be a significant barrier for services importers, exporters and foreign investors alike. Tax system complexity can deter both foreign productive investment which improves the competitiveness of Australia’s services sector and foreign capital that can be managed by Australian financial services firms.

Providing a level playing field for Australia-based services firms competing for foreign clients is fundamental to building the competitiveness of Australia’s services exports. Withholding taxes levied on offshore work, and the associated compliance processes create additional costs to Australian service providers that may not be incurred by local and non-Australian foreign firms in those markets. Applying Australia’s corporate tax rate to revenue generated by activities in lower-tax jurisdictions can similarly weaken the competitiveness of Australia-based firms operating in those markets, as local and non-Australian foreign firms often pay lower tax rates.

Double Tax Agreements (DTAs) play an important role in increasing the competitiveness of Australia-based firms providing offshore services by removing tax barriers that can impede movement of people, capital and technology and disadvantage Australian companies bidding for international contracts.

INDUSTRY RECOMMENDATIONS

A. Develop accessible, user-friendly tools that give greater clarity to foreign investors on how they will be taxed in Australia (such as detailed ‘scenario-based’ taxation guides based around the categories of financial products specified in the APEC Asia Region Funds Passport).

B. Review the non-resident withholding tax regime to ensure its settings are internationally-competitive.

C. Expand the number of Double Tax Agreements, including with major regional financial service hubs, and to support full use of Australia’s networks of Free Trade Agreements (FTAs).
The view put forward by the sector is that Australia’s minimum capital requirements for delivering financial services offshore are often significantly higher than those of our competitor jurisdictions. This creates a competitive disadvantage for Australian firms.

The financial sector representatives were also of the view that the strong domestic focus of Australia’s financial regulatory agencies means the impacts of regulatory decisions on financial services delivered offshore are not always appropriately considered.

INDUSTRY RECOMMENDATIONS

A
The Australian Prudential Regulation Authority (APRA) should review prudential, licensing and capital requirements for Australian financial services exporters, with a view to ensuring regulatory arrangements do not unfairly prejudice the ability of these firms to establish an offshore commercial presence.

B
The Australian Government should expand the Australian Securities and Investment Commission (ASIC) mandate, requiring it to consider the effect of decisions on the international competitiveness of Australian financial services firms offshore.
MAKE PROGRESS ON BARRIERS IN OVERSEAS MARKETS

While much can be done at home to develop a domestic business environment from which competitive services exporters can emerge, there is also work that both government and the sector can do in the international environment to boost Australia’s services exports. This can range from trying to address specific barriers in key markets, to working in international forums to create robust standards and inter-operable regulatory frameworks to support the delivery of Australia’s services in new markets.
Developing a comprehensive list of barriers to services exports across Australia’s key markets is challenging given constantly changing business environments. However, services exporters, industry bodies, and various government agencies do gather information on export barriers. A comprehensive, current, and accurate inventory of the barriers to services exports in key markets would help potential exporters and policymakers alike. Generation of this inventory – and importantly, prioritising those issues which should be addressed first – could be undertaken through the consolidation of existing feedback mechanisms, surveys, workshops, and targeted in-depth interviews to build and prioritise the list of barriers for action to be taken. This could be linked with the Government’s and the Export Council of Australia’s existing tools and processes to address other non-tariff barriers.

A comprehensive list of barriers and current case studies would not only provide a ‘shopping’ list for government and industry to address through a strategic work program, it would also help potential exporters with market selection and strategy.

**INDUSTRY RECOMMENDATIONS**

**A**
Government and industry should work together to consolidate a comprehensive and prioritised list of international barriers to services exports for actioning, including formal market access barriers as well as ‘behind-the-border’ process, procedural, regulatory and cultural barriers.

**B**
Develop a user-friendly mechanism to encourage exporters to keep the list accurate and current.
Digital trade is an increasingly important contributor to the Australian economy and offers significant opportunities for Australian businesses and consumers. Around half of Australian businesses are already engaged in the digital economy and this number will grow further in the future.

Government has an important role to play in helping services businesses, including small and medium enterprises, make the most of the digital economy, while also ensuring appropriate consumer protections, such as privacy. Furthermore, as data becomes a key resource, there is a need for industry and government to work together to design and advocate for new domestic and international governance systems for digital trade.

Despite this, there was a perception that there is currently no senior, ministerial-level responsibility for issues affecting the digital economy. In addition, an informal non-government ‘second track’ diplomacy channel could complement formal efforts by government in regional and multilateral forums.

Restrictions to cross-border data flows add to services companies’ operational costs and can severely affect business models. Various countries restrict cross-border data flows by requiring the data to be stored, and in some instances processed, locally. These measures can be unnecessarily restrictive and contribute to barriers to trade for Australian services exporters.

INDUSTRY RECOMMENDATIONS

A. Appoint a Minister for the Digital Economy to champion the interests of Australia’s digital trade, e-commerce and digital services in Australia and overseas, and represent them in policy discussions which have an impact on Australia’s international competitiveness.

B. Convene an informal non-government diplomacy channel to multiply the impact of the business community’s current efforts to support Australia’s global policy interests in digitally-enabled trade.

C. Encourage the development and harmonisation of high-quality digital standards with key trading partners, including through FTAs, in multilateral fora, and through regulator-to-regulator cooperation. This could include facilitating the development of international digital standards.

D. When negotiating trade agreements, the approach taken by Hong Kong and Australia in the recently negotiated Australia-Hong Kong FTA should serve as a model of how to lock in free cross-border data flows for the finance sector without mandatory local data storage requirements.

E. Accelerate the domestic implementation of the voluntary APEC Cross Border Privacy Rules, and promote greater understanding of their benefits, to improve the likelihood of these rules becoming the regional minimum standard.
Temporarily moving professionals into different markets can be complicated by local requirements, which do not distinguish between domestic and international functions.

A foreign lawyer, for example, who will advise only on foreign law and not practice local law, should be able to register to practise as a foreign lawyer on the basis of their home-country licence, without having to go through an additional licencing process in the foreign jurisdiction. Australia’s approach recognises that foreign law and local law are separate fields, and the commercial reality that lawyers who practise foreign law complement and increase the range of services that are available to the clients of Australian law firms.

Drawing on this experience, and extending this approach to other sectors, could help convince regulators in key markets to take a similar approach, or to further liberalise where caps or restrictions on foreign professionals apply.

INDUSTRY RECOMMENDATION

A

Relevant Australian regulators and industry associations should work with counterparts in key markets to develop a special category of professional recognition to allow international professionals to practice aspects of their profession in the host-country.
PROMOTING AUSTRALIAN STANDARDS AND REGULATORY BEST-PRACTICE ABROAD

International standards play an important role in promoting both business and consumer confidence, productivity and efficiency, reducing costs, removing barriers to trade, and driving economic growth. This is especially so in relation to services exports, where standards underpin many aspects of service delivery.

Australian involvement in the international standards process improves the chances our interests and capabilities will be reflected in the any internationally-developed standard.

In the same way, encouraging governments in other economies to adopt policy and regulatory frameworks which are similar to, or compatible with, Australia’s can provide a competitive advantage to Australian services firms.

The Australian Government should continue to support Australian industry participation in international standard setting processes, and continue to encourage regulator-to-regulator cooperation to promote the adoption of Australian regulatory practice and approaches in our region.

INDUSTRY RECOMMENDATIONS

**A**
Strengthen Australia’s role in the standards development process and ensure sufficient transparency and opportunity for the services sector to engage in the process.

**B**
Ensure sufficient support for Australian business involvement in the international standards setting processes.

**C**
Encourage greater regulator-to-regulator cooperation to promote the adoption of consistent regulatory approaches in our region (ideally, similar to or compatible with Australia’s). This is particularly important in areas of new opportunity such as cyber security, artificial intelligence, fintech, blockchain, data privacy and sustainable value chains.

**D**
The Australian Government should continue to invest in capacity development in our region to help developing countries both adopt international standards and participate in international standards development.
Like most services sub-sectors, financial services are generally heavily regulated and regulation varies significantly across countries, especially in the Asia-Pacific region. This adds considerable complexity for Australian financial services seeking to sell their services across borders.

There remain challenges in implementing the financial services commitments secured in Australia’s FTAs. It is important that Australia’s financial regulatory agencies continue to work closely with their international counterparts to ensure these commitments are put into practice and that Australian providers are able to benefit.

Though still in its infancy, the APEC Asia Region Funds Passport is an important step for growth and reform in the region’s financial markets, with the potential to significantly benefit Australian financial services exporters. The long-term success of this initiative will require sustained support from financial regulators in the region, and should be an Australian Government priority.

INDUSTRY RECOMMENDATIONS

A

Led by Treasury and ASIC, seek to negotiate bilateral regulatory cooperation arrangements with China, Japan and the Republic of Korea, to facilitate and implement agreed FTA market access commitments in the cross-border provision of portfolio administration and insurance services.

B

Seek to negotiate bilateral cooperation agreements between ASIC, APRA and the ATO and their counterparts in China, Japan and the Republic of Korea to allow a wider range of wholesale (business-to-business) activities.

C

Prioritise passage of the Corporate Collective Investment Vehicle Bill, as a recognised investment vehicle that can be marketed under the Asia Region Funds Passport.

D

Use APEC forums to seek an expansion in the membership of the Asia Region Funds Passport, and actively explore opportunities for interoperability with the similar European Union (UCITS) and ASEAN (CIS) passport schemes.

E

Increase, expand and accelerate capacity-building projects which focus on financial services regulation in the APEC region.
SUPPORT SERVICES FIRMS AS THEY INTERNATIONALISE

Services exporters face different challenges to goods exporters in overseas markets, so tailored government assistance is warranted.
DEVELOPING A STRONG NARRATIVE AND BRAND TO SUPPORT AUSTRALIAN SERVICES FIRMS IN NEW MARKETS

While Australia is well known offshore for its tourism and education service offerings, services firms in other sectors encounter higher marketing and promotion barriers when entering new markets due to a generally low awareness of Australia’s capabilities. At the same time, many services firms performing work offshore do not characterise themselves as exporters, making it difficult to establish a consistent export brand.

As service industry sectors develop a stronger narrative to promote their capabilities in both established and emerging markets, the Australian Government should ensure its Nation Brand initiative aligns strongly with the whole spectrum of Australian services capabilities to allow services exporters to leverage the brand to promote their product and service offerings. It is important any industry-developed narrative and the Government’s Nation Brand are interlinked, mutually-supporting, and focused on providing a rallying-call for Australian service providers.

The promotion of Australian services providers as internationally recognised high quality, innovative and solutions-driven operators working across the world, would provide impetus to boosting the export of services. It also has the potential to provide a crucial ‘push factor’ to help give export-ready small- to medium-sized enterprises, in particular, the confidence to ‘go international’.

INDUSTRY RECOMMENDATIONS

A

Develop an industry-led services narrative to support the promotion of Australian services overseas, with an emphasis on the internationally recognised capability of Australian services firms, their collaborative nature, and their innovative and solutions-driven ethos. This could include identifying and promoting points of excellence in the Australian services sector and highlighting specific expertise.

B

The Australian Government should ensure its Nation Brand initiative captures and supports the whole spectrum of Australian services capabilities, and allows services exporters to leverage the Nation Brand to promote their service offerings.
Many services exporters do not know how to use the services provisions of Australia’s FTAs and are deterred by a perception that compliance is complex, time-consuming, and expensive. The Financial Services Working Group, in particular, identified this as an important issue for their sector.

Better cross-linking of public information across government agencies, with a focus on providing more comprehensive FTA compliance advice, would give greater confidence to Australian services firms looking to export.

INDUSTRY RECOMMENDATIONS

**A**
With input from the financial services sector, DFAT should review the extent to which information from the Treasury, ASIC and APRA is captured in the FTA Portal, with a view to providing more comprehensive and consolidated information for financial services exporters.

**B**
DFAT and Austrade should work with regulators and industry bodies to increase FTA-related outreach and training for the services sector, delivered both in-person and through digital platforms.
As part of the 2016 National Innovation and Science Agenda, CSIRO opened its first office in Silicon Valley and Austrade opened its San Francisco Landing Pad. The purpose of these initiatives was to accelerate innovation in Australia through international engagement with the world’s leading centre of tech excellence. Australia’s cyber security sector is critical and growing, but the sector believes more can be done to promote Australia’s cyber security expertise. This should include activities to promote and build on the work done by CSIRO and Data61 to develop public trust and understanding of cutting-edge and foundational technologies like artificial intelligence, blockchain and quantum computing.

**INDUSTRY RECOMMENDATIONS**

**A**
Industry and government should work jointly to build a coalition of support at home and overseas to advocate for Australia’s cybersecurity capabilities and interests.

**B**
Ensure Australia has ready-access to the best tech talent. In addition to recommendation 5.A, one option could be to expand the New Colombo Plan to facilitate technology-focused learning exchanges with USA.
The working groups discussed what they see as a general lack of understanding of how Australian firms can benefit from ecommerce and expand into export, particularly in the regions, and no unified coordination on policy issues across the sector. Developing a strong domestic narrative about the benefits of e-commerce is important to support the promotion of the quality and reliability of Australian e-commerce services and our regulatory frameworks in the Asian region.

Government and larger industry players should work together to raise awareness and understanding of ICT and e-commerce policy issues, and to ensure industry is properly consulted on policy issues. Such work would help Government agencies and private sector better understand the drivers that create competitiveness in Australia’s e-commerce sector. It would also help Australian industry connect with other groups in the region leading work in this area (e.g. the Asia Business Trade Association). This work will be especially important given projected growth in e-commerce, the inclusion of e-commerce in FTAs and the launch of World Trade Organization negotiations on e-commerce. A special effort should be made to help SMEs participate.

INDUSTRY RECOMMENDATIONS

A
Encourage the establishment of an industry-led body to develop a stronger narrative about why ecommerce is good for Australia, particularly for regional Australia, promote awareness of e-commerce issues. This body could be an industry focal point for engagement in our region.

B
Establish a mechanism for government to have continuous consultation with industry on e-commerce policy issues.
HELPING SERVICES FIRMS ACCESS EXISTING EXPORT SUPPORT

Australian services firms don’t always know how to access government support programs designed to help them grow their businesses internationally. It can also be complex to navigate the support on offer from State, Territory and Federal governments.

Recognising the work underway to develop an online tool to help services exporters find and access government assistance, the Government should continue to make sure information about the kinds of support available is easily accessible, and is not expressed purely in terms of support for exporters (as many service providers do not necessarily identify themselves as such).

Importantly, the design of new export support activities should always give consideration to the particular needs of service providers.

INDUSTRY RECOMMENDATIONS

A. Develop an interactive map, or ensure the Global Business Support Finder can catalogue all available Commonwealth, State and Territory, not for profit, and industry export assistance and information programs, and ensure this stays up to date.

B. Undertake targeted outreach to ensure that current and aspiring services exports are aware of these tools. In doing this, the Australian Government should collaborate with professional associations and other non-government partners.
The recommendations from this first policy sprint will be presented to the Minister for Trade, Tourism and Investment for consideration.

Some of these recommendations align with existing Government policy or programs, and industry would like to help DFAT and Austrade work with relevant Commonwealth portfolios to explore how they can be addressed. Others will require business to take the lead, and industry looks forward to DFAT and Austrade support for these efforts wherever possible.

The consultation process will also continue. The November 2018 Roundtable identified the value of short bursts of sector-specific engagement. The next batch of policy sprints – including the health and creative subsectors – are currently underway. This next tranche of work will build on the work done to develop the Action Plan by identifying issues specific to each services subsector. Policy sprints on other subsectors will follow.
THANKS TO ALL PARTICIPANTS IN THE WORKING GROUPS FOR THEIR CONTRIBUTIONS, INCLUDING:

Alina Bain, CEO, Export Council of Australia
Heath Baker, Acting CEO, Export Council of Australia
James Bond, Head of Government Affairs (Australia & New Zealand), Citigroup
Bill Cole, Partner, International Trade, BDO
Kate Doyle, CEO, Architects Accreditation Council of Australia
Jane Drake-Brockman, Australian Services Roundtable
Christopher Findlay, Australian Services Roundtable
Stuart Fuller, Head of KPMG Law, KPMG
Lyall Howard, General Manager, Government Relations, Australia Post
Carla Hoorweg, Head of Government and Industry Relations, Challenger Limited
Kaaren Koomen, Director, Government & Regulatory Affairs Australia and New Zealand, IBM
Lisa McAuley, CEO, Global Trade Professionals Alliance
Louise McGrath, National Manager, Business and International Advisory Services, the Australian Industry Group
John Richardson, Director, Cox Architecture
Clare Sykes, General Manager, International Markets, METS Ignited
Mark Trueman, Executive Group Director, Strategy, Planning and Investor Relations, Worley Parsons