



## **Australian Services Roundtable (ASR) Perspectives on the Indo-Pacific Economic Framework for Prosperity (IPEF)**

### **Statement delivered by the ASR President to the Stakeholder Consultation Session at the Brisbane Round of IPEF Negotiations, 13 December 2022**

Thankyou for the opportunity provided for so many stakeholders to meet together as a group with Chief Negotiators and put forward their perspectives on this very important new negotiation for a regional Indo-Pacific Economic Framework for Prosperity.

The Australian Services Roundtable (ASR) is the peak business body in Australia giving voice to the interests of the services sector as a whole, with a special focus on international trade and investment, innovation and competitiveness.

We have always enjoyed working in close collaboration with our business counterparts globally, and regionally. My colleague will speak shortly to our common interests across the region and deliver an additional Joint Statement with Business New Zealand (BusNZ), the Coalition of Services Industries (CSI) in the United States, and the Japan Services Network (JSN). I want to focus on 3 matters of special interest to ASR.

**(1) The first is Services Domestic Regulation.** 22 years ago, when ASR was founded, this was among our highest priority interests; an issue that brought us all together, across all the wide variety of services industries, into a trade association. Business experience taught us that inefficient and excessively divergent domestic regulatory regimes or technical standards added to our trade costs and impacted our international competitiveness in a fundamental manner.

Business experience taught us that the same was true in our market destinations. Joint efforts to bring down those trade costs by concerted domestic efforts to cut red tape seemed to us, and to many of our regional counterpart, to be a no – brainer.

Much has now been achieved in many regional initiatives and most importantly in the WTO, with agreement in Geneva last December on a Reference Paper which establishes best practice principles for Services Domestic Regulation, which will be bound in the GATS schedules of WTO members which sign on. The only trouble is not everyone has yet signed on. The Australian Services Roundtable would like to see all IPEF parties agree to equivalent disciplines.

The evidence base for this is overwhelming. The WTO has shown that trade costs for services are double the costs for goods and the OECD has shown that 40% of these services trade costs are regulation related. For telecommunications, the share is as high as 60% on average.

The WTO has shown that more efficient services domestic regulation goes hand in hand with larger, more entrepreneurial, services sectors, more active participation in global value chains and stronger trade performance across all the modes of services supply.

The OECD estimates that signing on to the new WTO disciplines can deliver a cut in trade costs across all services sectors by 6% on average for the G20 and 7% for Asia-Pacific, translating to trade cost savings of USD140 billion for the G20 and USD75 billion in Asia-Pacific. For the Indo-Pacific, the dollar figure is somewhere in between.

Trade costs would fall most for economy-wide infrastructural services such as telecommunications and financial services, computer services, professional services and logistics. For the fast growing, rapidly digitalizing business services sector, G20 trade costs fall by USD65 billion. G20 transport costs fall by USD50 billion (of which USD23 billion for Asia-Pacific).

The biggest productivity gains are for Small and Medium sized businesses. Costs reduce for SMEs by an extra 2-3 percentage points - so 9-10% for Asia Pacific and 8-9% for the G20. For computer services, telecoms and financial services, the benefits for SMEs would be even larger. Cuts of this magnitude make all the difference to small business survival.

For ASR, this issue is still as important today as 20 years ago. And we are not alone. Regional business survey data consistently shows that business ranks domestic regulatory inefficiency as a top trade and investment irritant.

## **(2) The second issue is the need for greater freedom of cross-border data flows.**

Data flows underpin all cross-border trade in digitally-enabled services. And digital services is the biggest most robust growth story in international trade today and expected to remain so for the foreseeable future. ASR expects IPEF parties to deliver regional governance that reflects this reality.

We expect significant efforts to facilitate region-wide acceptance of electronic signatures and documentation. We expect region-wide facilitation of electronic payments. Subject to public policy imperatives, we are looking for greater freedom of cross-border commercial flows of data, absence of data localisation requirements and disciplines on mandatory Government access to algorithms and source code.

## **(3) Our third key interest lies in ensuring domestic regulatory and policy settings, including taxation and competition policy, are appropriate for regional connectivity in the digital age.**

It will be critical for example that competition provisions, like intellectual property provisions, are conducive to innovation, ensuring a level regional playing field.

Australian Services Roundtable advocacy will be geared throughout the IPEF negotiating process at guarding against any unintended negative consequences which might stifle inclusive trade, investment and employment growth.