

Dear Prime Minister,

The members of the Australian Services Roundtable commend your initiative in fostering a dialogue about Australia's future in Asia through the Asian Century White Paper process.

Already the process has stimulated a deeper debate about Asia. Australian public awareness of the issues, opportunities and challenges has grown enormously, and as we noted in our submission this is critical for good policy and decision making by both government and business.

Important issues for services exporters that have gained public recognition include:

- The rapidly growing Asian middle class is a major market for Australian high value services (tourism, education, professional services, financial services, health services and information technology services)
 - As the Asian Century progresses growth in demand for services will exceed that for resources
- Services exporters require Asian literacy (language and culture) in a way simply not necessary for exporting minerals
- Investment is a major mode of services trade including investment in Australia and critically Australian investment in Asia which remains subject to many restrictions
- Continued subsidies for manufacturing do not save jobs, they simply shift the burden of adjustment from subsidised manufacturing to unsubsidised exporters such as services – already the impact of the high dollar is undermining Australian services export capacity and will damage Australia's capacity to respond to the growth in Asian services demand.

One important issue that has yet to generate much public discussion is that Asian economies are rapidly developing services capabilities and services export strategies and consequently Australian imports of Asian services can be expected to increase rapidly. The importance of using Asian services capability to improve Australian productivity and competitiveness needs to be addressed in the White Paper, in the context of the growth of global value chains in services.

Beyond these broad issues there are some specific matters that ASR recommends in finalising the Asian Century White Paper. In making these recommendations we are conscious of the tight fiscal position. Largely they involve giving greater profile, acknowledgement and impetus to existing initiatives through the White Paper process.

Financial Services Export strategy – involving continuing implementation of the Johnson report, including important initiatives such as the Asian Funds Management Passport, and

maximising the value of the APEC Financial Services Forum endorsed by APEC Finance Ministers and scheduled for Sydney early 2013.

Legal Services Export Strategy – involving revitalising the International Legal Services Advisory Committee (ILSAC), developing and implementing COAG legal services reform, improving regional legal services transparency eg through an APEC initiative, developing a strategy of engagement to widen legal services access across APEC.

Education and Tourism exports – continue to maintain and support existing initiatives.

Health Services Exports – support a strategy to encourage business investment. Although at an embryonic stage currently in Australia, health exports have the potential to rival education exports. The main impediments are the risk associated with doing any new complex activity, especially one involving many regulations and interactions with government. The Tourism Minister has indicated his support for a conference early 2013 to raise awareness and encourage business investment, and ASR is in discussion with the Victorian and NSW State Governments.

Services Innovation – note the critical importance of Australian leadership in services innovation to Australian competitiveness as a high value services provider to Asia, and in particular acknowledge the value of CSIRO's soon to be launched Digital Productivity and Services Flagship and NICTA.

- Enhance the existing Public Sector Innovation initiative with stronger engagement with CSIRO, NICTA and business
- Support an APEC Superannuation Research Agenda
- Support an initiative to address streamlining of planning system data needs which is an example of where easy, rapid access to large, disparate data sets would improve productivity
- Undertake trial of cost effective, entertaining/student engaging ways of delivering Mandarin teaching in schools taking advantage of modern digital technology and utilising Chinese business and academic expertise.

Services Trade liberalisation – support for the International Services Agreement, APEC Services Agenda, and specific bilateral services engagement in China via the Australia-China Services Trade Promotion Forum, and building similar dialogues with India and Indonesia.

Yours sincerely,

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Australian Services Roundtable
19 October 2012

cc: Dr Ken Henry AC