Australian Services Trade in the Global Economy

Excerpt: Professional Services

Executive summary

The ongoing structural transformation towards a services economy, across all countries and at all levels of development, has immense potential to improve the well-being of Australians. Technology has reduced trade and transaction costs for both goods and services, thereby facilitating more complex and services-intensive production networks. Telecommunications, audio-visual and computer services constitute a digital network at the heart of the world trading system. Transportation, courier, logistics and distribution services form the backbone of global supply chains. Legal, accounting, insurance and banking services are essential enablers of trade and finance. Architectural, engineering, mining and constructions services are a fundamental foundation of physical infrastructure. Health, education and tourism services are at the heart of better lives.

Yet impediments to services trade remain pervasive, while trade and regulatory policy in these individual services sectors are often made with limited regard for economy-wide impacts. This report aims to provide a better understanding of Australia's services performance in the global economy, to inform trade and regulatory policy makers of the likely effects of unilateral or concerted reforms and to help prioritise policy action. Taken together, the main findings seek to contribute to a national strategy by which Australia can fully capitalize on the strength of its services sectors and exporters to ensure that services trade works for all Australians.

Main findings

Services are Australia's gateway to global markets

Australia's regional and global services trade and productivity performance is strong. Services exports, and services embedded in other exports such as food products, machinery and electronics, account for half of Australia's exported domestic value added. There is evidence, however, that Australian services suppliers face increasing competition. As such, a national services trade strategy can help sustain and strengthen Australia's comparative advantages.

Australia's services regulatory environment is a source of strength

Australians benefit from an open, efficient and generally pro-competitive regulatory environment that is favourable relative to many of its peers. Australia's domestic regulatory regime is more liberal than average in 21 of the 22 services sectors measured by OECD Services Trade Restrictiveness Indicators. There is scope for improvement in all sectors, however, and a targeted regulatory reform agenda can ensure that Australia's business environment remains a source of international competitiveness.

Global services sector growth is an opportunity for Australians

Technical progress, urbanisation and fast-growing markets are driving a rising share of services in consumption across the globe, and Australian exporters are well positioned to capitalize on these trends. Rapid change and dynamic demand factors, however, require adaptation and new approaches to maintain existing strongholds and gain ground in new and diversified markets, especially in strategic sectors such as education, travel and tourism services.

Ambitious services trade policy can transform bottlenecks into gateways

Services trade restrictions and regulatory heterogeneity impose costs on services and manufacturing sectors, with a disproportionate burden falling on small and medium sized enterprises (SMEs). Enhanced commercial opportunities for Australian exporters can be secured by concerted efforts to encourage behind-the-border regulatory reforms in key markets (through fora such as the G20 and APEC), coupled with an ambitious trade negotiating agenda to secure new market access and bind applied regulatory regimes.

Strategic national reforms can boost Australia's services trade competitiveness

Services generate more than two-thirds of global gross domestic product (GDP), attract over three-quarters of foreign direct investment (FDI) in advanced economies, employ the most workers, and create most new jobs globally. The OECD recommends that countries adopt a whole-of-government approach to co-ordinated services trade policy and regulatory reforms as a driver of inclusive economic growth and employment, and encourages Australia to seize this opportunity. Horizontal and sector-specific policy conclusions are presented in the final chapter of this report.

Whole-of-report policy conclusions

The analysis carried out in this report highlights the importance of services in the Australian economy. Evidence demonstrates the relative strength of Australia's services trade and productivity performance, and the opportunities arising from Australia's proximity to the world's most dynamic region. The report also highlights the challenges faced by Australian services exporting firms, including the risk of losing ground in stronghold sectors such as education and tourism. Furthermore, the empirical evidence included in the report highlights how services trade restrictions in foreign countries prevent Australia from exploiting its full export potential.

In this context, there is significant potential for services to sustain productivity and enhance the global competitiveness of Australian businesses. This section delineates key factors to be considered in response to the opportunities and challenges posed by a rising degree of globalisation and a growing tradability of services. On this basis, a strategic whole-of-government approach to the performance of Australian services in the global economy can help Australians fully capitalize on the strength of its services sectors and exporters to ensure that services trade works for all.

General key findings

- It is important to continue to promote regulatory reforms and the reduction of services trade restrictions in the applied regimes of priority markets abroad by, inter alia, advocating the potential of services reforms to drive inclusive economic growth and employment, ensuring the effective implementation of the APEC Services Competitiveness Roadmap and encouraging national and collective actions consistent with the G20 Strategy for Global Trade Growth.
- In addition to existing FTAs, it would be beneficial to continue pursuing bilateral, plurilateral, regional and multilateral trade agreements with ambitious market access, national treatment and domestic regulation provisions for services. Besides maximising the economic benefits accruing to Australians, this would also lock applied regimes and thereby secure a predictable and rules-based environment for services trade and investment. OECD empirical analysis confirms that the legal bindings found in services trade agreements tend to have a positive effect on services trade by reducing uncertainty.
- Continued investment in an efficient and effective visa system is desirable. The envisaged streamlining of the current visa system would be beneficial to international visitors, international students, and domestic as well as foreign businesses.
- Consideration could be given to the relationship between the Temporary Skill Shortage (TSS) visa and the cost of recruiting highly qualified foreign workers, and the ability of some international students to apply for jobs on the list of skilled occupations (with concomitant implications for the education sector).
- Australia ensures that data can flow freely across borders, while respecting privacy and security considerations. It is important to continue facilitating an environment that enables digital trade, through free trade agreements, harmonisation of standards and implementation of trade facilitation measures.
- Despite efforts to improve coordination of government initiatives promoting export capability, innovation and growth, there is still some work to do to increase transparency and to improve the dialogue between the different level

of government agencies and transparency. Firms find it difficult to navigate through the different programmes available to them. Also, there is a lack of co-operation between businesses and other actors, such as universities or research institutes. Hence, as recommended in the OECD *Economic Surveys: Australia 2017* ,there is a need to develop a more integrated, "whole-of-government" approach to science, research and innovation and consolidate innovation support programmes. This approach could help to reduce the number of support schemes for innovative SMEs and exporters, facilitating the management and efficiency of the different schemes, allowing for more generous programmes while keeping total expenditure constant.

- A review of the R&D Tax Incentive, a program supporting business innovation, found that smaller firms face compliance costs of up to 23% of the of the program benefits. The Government continued efforts, through the recently announced reforms of the R&D TI, to improve the integrity of the program, continue assist smaller companies and refocus support for larger companies undertaking higher intensity R&D, are commendable. However, in line with other recommendations (Ferris et al., 2016), it would be desirable to improve also the administration of the R&D TI program by reducing compliance costs. This would increase companies' accessibility and ensure a more inclusive participation.
- Application processes for government support schemes, such as the Export Market Development Grant (EMDG) are often time consuming and unnecessarily burdensome. Many firms turn to professional consultants for these processes. Application and reporting could be simplified so that firms could reap the full amount of the incentives available.
- The paucity of official statistical trade data, including the lack of Foreign Affiliate Trade Statistics (FATS), complicates the understanding of Australia's strength and weaknesses in services. Improving the statistical base would allow for a more robust analysis of services trade and investment. While efforts in this direction are underway, the timely implementation of an annual survey to collect on a regular basis information on inwards, but also outwards, foreign affiliate sales and a harmonisation of the disaggregation level for the collection of trade statistics and business statistics are essential for an accurate investigation of the benefits of FTAs.

Professional services

- Lack of established procedures for recognition of foreign qualifications, certificates, previous experience and licenses are still widespread around the world. These issues represent major obstacles to the mobility of foreign professionals and their ability to hold equity in local professional services firms. Most of these barriers could be lifted through domestic policy reforms that remove arbitrariness in the revalidation process and recognise foreign qualifications. This could also be pursued through the negotiation of deep and substantive MRAs or by developing best practice principles for recognition of qualifications and licensing and registration requirements agreed on international fora. Local implementation of such agreements would also imply a greater dialogue between the Commonwealth and State and Territory governments. Recognition of qualifications and licenses would ensure greater mobility for Australian professionals and allow Australian businesses to stay agile and competitive by tapping on an international pool of talents. Working with foreign governments and professional bodies to achieve full accreditation

of Australian qualifications would also support Australia's education services exports.

Global markets for Australian services

Chapter 4 looks at the various factors that particularly influence the ability of Australian firms to compete internationally in key services markets. In Australia's main destination markets, various obstacles may inhibit the entry of new firms or restrict the expansion of Australian exporters already engaged there. This chapter presents the main trade barriers found in some of Australia's major trading partners for services exports emerging from an analysis of the OCED STRI database.

Evidence from a recent survey of Australian business drew attention to the numerous challenges faced in their most important overseas markets, including interpreting and adapting to local regulation, discriminatory practices favouring local firms, and heterogeneity of licensing requirements and national standards.[i] This chapter examines the major obstacles influencing the ability of Australian firms to compete internationally in key services sectors.

Professional services

As discussed in Chapter 2, the professional services included in the OECD STRI indices are legal, accounting and auditing, architecture and engineering services. All are delivered abroad through various supply modes: an architect sending a project via email trades architectural services across the border (Mode 1), a lawyer representing a foreign client in a national court exports a legal service via consumption abroad by the foreign client (mode 2), an engineer flying to a foreign construction site to advise on a project exports engineering services via movement of natural persons (Mode 4). The provision of professional services can also be delivered *in situ* by opening a foreign branch or subsidiary of a national firm in a foreign market (Mode 3).

All professional services are subject to economy-wide limitations on the movement of natural persons wanting to provide services on a temporary basis. Almost all countries considered in this sample limit in some way market access to foreign professionals, either through quotas (United States and United Kingdom, except for intra-corporate transferees), or by limiting the duration of stay to less than three years (India and New Zealand, for certain categories of services suppliers), and all of them through labour market tests. The sector-specific restrictions found for each professional service covered by the STRI are described below.

Legal services

Barriers to the *commercial presence* of Australian law firms' affiliates in Australia's main trading partners come in different forms. Although foreign equity limits are rarely used for legal services, most countries restrict the ownership of law firms to locally-qualified lawyers, particularly in the area of domestic law. This occurs in China, New Zealand and the United States, where the shareholders of law firms practicing domestic law must all hold local licenses and/or practising certificates. The situation in India is more extreme: foreign law firms wanting to practice either type of law (domestic or foreign/international) are simply not permitted to establish in the country. In fact, following the *Advocates Act 1961*, legal practice is reserved for locally licensed Indian advocates, who are the only lawyers that can form and own law firms.

Corporations are not permitted in China and India, and lawyers may not enter into partnerships or otherwise associate with other professionals or foreign lawyers. An exception in China is the Shanghai Free Trade Zone (SFTZ), where a provision in the China-Australia Free Trade Agreement (ChAFTA) allows Australian law firms to establish commercial associations with Chinese law firms in order to offer Australian, Chinese and international legal services. Legal practices involving local lawyers and other professionals are also banned in New Zealand. Moreover, most countries prohibit foreign firms from hiring locally licensed lawyers. For instance, in China, India and New Zealand, local lawyers cannot be employed by foreign firms to practice in areas of law reserved for domestic law firms.

Ownership restrictions are often coupled with other conditions requiring the majority of the board (or equity partners in the case of partnerships) and the manager of law firms to be locally licensed. This applies in China, India, New Zealand and the United States. China and India impose additional nationality and residency requirements on board members and managers. Finally, some countries require a commercial presence to be

able to provide legal services, thereby inhibiting *cross-border trade*. For example, US law calls for non-resident attorneys to have a representative office in the state of New York in order to provide legal services. Equally, a licensed body must at all times hold a practicing address in England and Wales.

In some countries, the *movement of natural persons* is significantly affected by licensing and related issues, including nationality and residency requirements to practice, as well as lack of recognition of foreign qualifications. For instance, in China and India citizenship is essential to obtain a license to practice domestic law. In India, qualifications held abroad may be recognised to practice international or foreign law, but only if obtained from a country that mutually recognises Indian legal studies degrees.[ii] However, New Zealand, the United States and the United Kingdom have clear rules on the recognition of qualifications obtained abroad. In the case of the United States, only those qualifications from countries whose jurisprudence is based on the principles of English Common Law are recognised. Moreover, local examinations might be required to be able to practice locally. For instance, foreign lawyers wanting to practice domestic law in the state of New York need to sit the bar exam.[iii] In the United Kingdom, international lawyers must pass the Qualified Lawyers Transfer Scheme assessments. In New Zealand, Australian lawyers benefit from mutual recognition under the Australia New Zealand Closer Economic Relations Trade Agreement (see below for more on mutual recognition agreements).

Licensing requirements and limiting activities to licensed professionals largely define market access for foreign suppliers. In China and India, where only nationals can obtain a license (needed to practice and to hold shares in law firms), market access for Australian lawyers is very limited. Business can only be done through fly-in-fly-out visits to provide legal advice to clients (and in areas of the law that are not reserved to domestically licensed professional). This is also possible in the United Kingdom, where qualified foreign lawyers having to appear in court to represent their client on a specific case may apply for a 'temporary call'.

International and commercial arbitration has been growing rapidly in recent years, for several reasons.[iv,v] A major advantage is that arbitration awards are enforceable in more than 150 economies, parties to the New York Arbitration Convention.[vi] Data on arbitration cases in Australia are not available, since most arbitration cases are organised on an ad-hoc basis by the participating parties. That said, large law firms in Australia are very active in the arbitration field. Business consultations reveal that arbitration is seen as a chance to grow into the export business, since arbitration procedures are not subject to national licensing requirements. Purely Australian law firms and multinational law firms established in Australia have to use different strategies in order to promote their services in this field. While multinational law firms based can have business referred to through their network of offices abroad, purely Australian law firms often work with foreign firms through informal arrangements, involving mutual referral of clients.

While Australian law firms seem to receive their fair share of the arbitration business, Australia has failed to establish itself as a major centre for international arbitration. The Asia-Pacific region, with its high growth rates, is attracting a larger share of international arbitration cases than ever before, mostly due to the strong position of Singapore and Hong Kong. Singapore offers very liberal conditions for international arbitration cases: for example, parties in arbitration proceedings can freely choose counsel regardless of nationality, there is no restriction on foreign law firms engaging in and advising on arbitration, and non–residents do not require work permits to carry out arbitration services.[vii]

Other countries have managed to establish themselves as arbitration centres with the help of innovative rules. For example, in Stockholm, judges from the commercial court

system are allowed to sit as arbitrators, facilitating synergies between the court system and the arbitration systems, and the best use of talent. By contrast, regulation in Australia often restricts the ability of law firms to engage internationally: firms report that they can be forced to travel to Singapore for meetings with foreign clients, because a visa requirement makes meetings in Australia more cumbersome (in the case of clients for whom the Visitor visa (subclass 600) is the only visa option). Additional costs like these can deter foreign clients, who may opt instead for representation by a law firm in Singapore.

Accounting and auditing services

Australia faces similar restrictions to those observed for legal services when it comes to *commercial presence abroad*. There are no foreign equity limits for Australian firms or Australian accountants/auditors in the economies under analysis, except in India, which does not allow any foreign investment in accounting and auditing services. Yet most countries restrict firm ownership to locally qualified professionals, and particularly so in auditing services. New Zealand and the United Kingdom require the majority of voting rights of an auditing company to be held by locally certified and registered professionals. There are also restrictions on the legal form permitted for firms in these sectors in China, India and New Zealand, where corporations are not allowed. In addition, India prohibits commercial associations with professionals other than locally licensed accountants.

Foreign ownership can also be limited by requiring that the majority or at least one of the members of the board of directors and/or managers be locally licensed. This is the case for auditing companies in all economies considered, except in the United States. In addition, in China and New Zealand, a representative office is required for Australian auditors to be able to provide auditing services across the borders (Mode 1).

Several conditions attached to licenses and qualifications limit the temporary *movement of natural persons* offering accounting and auditing services. While most countries have set up transparent procedures for recognising foreign professional education, training and experience in this field, some only recognise foreign qualifications on the basis of reciprocity, i.e. from countries with which they have signed Mutual Recognition Agreements (MRAs) or similar arrangements among professional bodies (e.g. Memorandum of Understanding, MoU, or Memorandum of Cooperation, MoC). In addition, some countries impose nationality or residency requirements to obtain a license to practice.

In China, for instance, only Certified Public Accountants (CPA) can provide accounting and auditing services, a title that is obtained by passing a national examination. Foreigners may be considered eligible for a CPA exam only when their qualifications are recognised on a reciprocity basis.[viii] In India, only Chartered Accountants that are members of the Institute of Chartered Accountants of India (ICAI), and hold a certificate of practice, can provide accounting and auditing services.[ix] Only foreign professionals whose qualifications are recognised by the ICAI, and that have been residing in India for almost six months prior to the application, may apply for a certificate to practice in India.[x] In New Zealand, accountancy is not a regulated profession. However, individuals who conduct auditing according to the *Financial Markets Conduct Act 2013* must hold a licence under the *Auditor Regulation Act 2011*. Both Chartered Accountants Australia and New Zealand (CAANZ) and Certified Public Accountants Australia (CPAA), are accredited bodies that issue licences for their members. Members of other foreign professional bodies can directly apply for a licence to the Financial Markets Authority. Australian qualifications will be recognised under the Trans-Tasman Mutual Recognition Arrangement (TTMRA). Foreign auditors from non-recognised bodies need to undergo a revalidation process, local examination and need to exhibit proof of local practice.

In the United States, a Certified Public Accountant (CPA) license is required to provide accounting and auditing services. There is an established procedure to assess and revalidate foreign qualifications, although a local examination and local practice of at least a year are key requirements to obtain the license. Accounting is not a regulated profession in the United Kingdom, and there are no licensing requirements. However, direct registration with the HMRC is required in order to act on behalf of a client. Those who use the description ”Chartered Accountant” must be members of recognised professional bodies, such as the Institute of Chartered Accountants in England & Wales (ICAEW). Recognised equivalent bodies in other Commonwealth countries, including Australia, allow Australian Chartered Accountants to practice in the United Kingdom. Auditing, however, is subject to licensing requirements in the United Kingdom. Only chartered accountants holding a practicing certificate may become “Statutory (or Registered) Auditors”, and so be authorised to carry out the audit of annual accounts or consolidated accounts. Foreign qualifications can be recognised but a local practical test on UK tax and UK law is mandatory, as well as proof of required experience. Australian Chartered Accountants have to undergo a less cumbersome process compared to accountants from countries whose professional bodies are not recognised in the United Kingdom.[xi]

Architecture services

Architectural services provision is a regulated profession in all the economies in this benchmarking exercise, although it is less strictly regulated than the other professional services described above. Barriers to *commercial presence abroad*, through limitations on foreign equity, do not exist in any of the economies considered except in India, where only locally qualified architects can hold equity in a firm. Moreover, Indian citizenship is required to practice as an architect and all directors of architecture firms have to be locally licenced and Indian nationals. This requirement virtually closes the Indian architecture market to temporary *movement of natural persons*, except for entry of foreign architects via a temporary licensing system. In most countries, services trade via Mode 4 is less restricted. All have adequate laws or regulations that establish a process for recognising qualifications gained abroad. However, the revalidation process needs a local examination and at least one year of local practice in the United States and the United Kingdom.

Engineering services

Engineering services is not a regulated profession in India and in the United Kingdom, although all other economies require a license to practice. Nonetheless, very few barriers to *commercial presence abroad* are found in engineering services, neither foreign equity caps nor thresholds on equity holding by non-licensed individuals. Only China has a requirement that the chief engineer (manager) must be locally licenced, according to the Classification Standard of the Qualification of Engineering Design. In addition, China imposes conditions on fee setting for engineering services, whereby fees for projects above CNY 10 million must be calculated based on the official Fee Standards of Engineering Design.

Limitations to the temporary *movement of natural persons* in engineering services exist as conditions attached to licensing requirements. China, New Zealand, the United States and the United Kingdom require a licence in order to provide engineering services. In the United States, acquiring a local licence requires permanent residency and domicile in the country, according to the New York Education Law. Moreover, China, New Zealand and the United States require a local examination. A temporary licensing system to allow foreign engineers to offer services exists in China and the United States; no such arrangement is necessary in India or in the United Kingdom, where the profession is largely self-regulated.

Mutual Recognition Agreements (MRAs)

As seen above, most of the obstacles to the free movement of professional services providers come from lack of revalidation of foreign qualifications, encompassing education, training and/or experience, and lack of recognition of foreign licenses or registrations. The objective of MRAs is to reduce barriers to the international mobility of professional services providers by addressing the lack of recognition related to accreditations or licensing and registration requirements.

Accreditation requirements are usually set by professional bodies for practicing professionals and might include completing an accredited higher education degree from a recognised education provider and/or obtaining qualifying professional experience, whereas *licensing or registration requirements* are imposed by regulatory bodies to address asymmetric information between consumers and suppliers and thus ensure quality control and consumer protection. The license is not considered a restriction in itself; it is, however, the lack of recognition of foreign licenses or registrations that limits the mobility of foreign professionals. Acquiring local licenses or registrations in addition to those already held in the country of origin duplicates effort and cost.

MRAs that cover recognition of foreign qualifications or accreditation are typically negotiated between the professional bodies of two or more countries, by reciprocally recognising accredited education institutions meeting quality standards set in both countries. Other MRAs aim to address recognition of licensing requirements and are generally negotiated by regulatory authorities. However, these MRAs are only partial and need to be followed up by professional bodies for their effective implementation.[xii]

The most comprehensive MRA adopted by the Australian Federal Government was the TTMRA with New Zealand signed in 1997. TTMRA covers nearly all accreditation, licensing and registration requirements for all regulated professions in the two countries. Together with the TTMRA, ANZCERTA developed a trade environment with characteristics of a single market between the two economies, featuring policy, law and regulatory regime cooperation. It is still the most wide-reaching international agreement signed by Australia.

The TTMRA has also allowed for greater professional mobility by considering occupations as equivalent based on the recognition of each economy's education qualification framework. Typically, lawyers trained in one country are never allowed to practice the law of a foreign country, the only type of law they can practice being either foreign or international law. The TTMRA, however, allows for lawyers admitted to practice New Zealand law equal chances to practice Australian domestic law after being duly registered with the relevant court.[xiii] Section 14 of the *Trans-Tasman Mutual Recognition Act 1997* allows for the bilateral movement of registered lawyers so that they will not need to obtain any additional qualification to be admitted to practice in the other country, apart from registration with the relevant court. This makes the TTMRA more comprehensive than any other MRA or other forms of agreement in the sector.

On a multilateral scale, Australia has signed multiple MRAs on professional services. In the case of *engineering*, Engineer Australia (EA), the professional body representing and accrediting engineers, has signed several international agreements under the International Engineering Alliance, covering 26 countries. The first such agreement is the Washington Accord (1989), which enables equivalence and mutual recognition of undergraduate engineering accreditation of qualifications in 18 economies.[xiv] The Accord has limitations and does not directly address licensing of Professional Engineers or the registration of Chartered Engineers, although it covers recognition of the academic requirements that are part of the licensing processes in member countries. In addition to the Washington Accord, and subsequent ones (Sydney and Dublin) establishing equivalence for other branches of engineering, Australia is part of two other

multilateral agreements, the APEC Engineer Register and the International Professional Engineers Agreement, aiming to accredit professional competences in the field of engineering. Nevertheless, these agreements do not solve lack of recognition of registration/licensing requirements.

EA has signed several bilateral MRAs with the corresponding professional bodies of various other countries, including Canada, Hong-Kong China, Ireland, Malaysia, New Zealand, Singapore, Korea, the United Kingdom and United States. Members of the engineering professional bodies that have signed these agreements have automatic membership rights in the other professional body part of the agreement.

As for *accounting*, Australia's three most important professional bodies (Certified Practicing Accountants, CPA; Chartered Accountants Australia and New Zealand, CAANZ; and the Institute of Public Accountants, IPA), have been active in negotiating MRAs with several counterparts in Europe, North America and Asia. Agreements are in place (including with Canada, China, Hong-Kong China, India, Malaysia, Singapore, the United Kingdom and United States) to facilitate accreditation, but they do not grant the right to practice locally, which might be subject to other forms of licensing or registration requirements.[xv]

In *architecture*, as in some other professional services, Australian States and Territories regulate the profession within their own jurisdiction; however, professional qualifications and competences are assessed by the Architecture Accreditation Council of Australia (AACA). An MRA has been negotiated with the industry associations of Australia, Canada and New Zealand, streamlining cross-border registration for senior architects with at least seven years of experience. This means employers in the member states are offered the guarantee that a foreign architect from another member state meets the competence and knowledge requirements being vetted by their domestic associations to ensure the right level of education and skills. Similarly, registration requirements have been simplified in Australia, New Zealand and the United States, where citizenship or residency requirements have been waived for foreign architects from member states that intend to register in another member state.

The recently established Mutual Recognition Unit (MRU) within DFAT could assist in reducing the barriers faced by professional services providers. The unit’s remit is to increase the value of Australian services exports by getting the most beneficial outcomes for Australian firms during negotiations of mutual recognition agreements with the corresponding industry bodies in foreign economies. The unit provides direct assistance to Australian professional associations to help address international recognition of Australian qualifications and licencing and other barriers facing professional services companies.

MRAs are important for foreign professionals but also for the host economy, as facilitating accreditations and recognition of foreign licenses speeds up recruitment of qualified and trusted professionals who may be crucial for companies needing to act at short notice. Consultations with professional services providers from architecture, engineering and legal services revealed that these businesses engage predominantly with countries that have similar regulatory frameworks and business climates. Hence, the value of coordinated efforts by professional associations to align national standards and ensure harmonisation of patchy regulatory environments increases professional mobility and business opportunities. Finally, in a harmonised world with full mutual recognition of qualifications, there are far greater incentives for student mobility. It is in Australia’s interest to negotiate deep and substantive MRAs, not just to give Australian professionals greater flexibility and broader working possibilities overseas, but also to ensure broader recognition of the qualifications it accredits and thereby boost Australian education services exports.

i. Differences in business culture, difficulties with payments and protection of intellectual property rights were also important hurdles for Australian exporters (ECA, 2015). Recent findings show how the lack of clear information on market compliance and risks, external support, and on local customs and border procedures, as well as on the general regulatory environment of a foreign market, militate against Australian businesses entering and thriving in overseas markets (ECA, 2016).

[ii]. Australia is not one of those: Indian lawyers have to complete further courses on substantive law subjects, pass the bar exam and get a registered licence to practice in Australia.

[iii] Other states might be more liberal. For example, promotion of mutual recognition by the Australia United States Free Trade Agreement (AUSFTA) has led to new practicing rights for Australian lawyers in Delaware.

[iv]. In Australia, international arbitration is governed by the International Arbitration Act 1974. Domestic commercial arbitration is governed by Uniform Commercial Arbitration legislation implemented by each Australian State and territory in 1984.

[v]. The numbers of arbitration cases in eleven of the most important international arbitration centres have risen from 4130 cases in 2012 to 5661 cases in 2016. See Table C.14 in Annex C for details.

[vi]. Convention on the Recognition and Enforcement of Foreign Arbitral Awards (New York, 1958). See www.uncitral.org/uncitral/en/uncitral_texts/arbitration/NYConvention_status.html for a list of contracting economies.

[vii]. http://siac.org.sg/2014-11-03-13-33-43/why-siac/arbitration-in-singapore; accessed on October 6, 2017.

[viii]. Australia has signed a MoC with the Chinese Institute of Certified Public Accountants to ensure that Certified Public Accountants (CPAs) from Australia have their qualifications recognised in China.

[ix]. The term 'Chartered Accountant' is an internationally recognised professional designation (in some countries equivalent to 'Certified Public Accountant'), and indicates registered accountants that work in all fields of business and finance, including audit, taxation, financial and general management. Some are engaged in public practice work; others work in the private sector or are employed by government bodies.

[x]. Only members of the CPA Australia are eligible for the ICAI ensuring that their qualifications are recognised in India. Nevertheless, CPAA members would still need to apply for a certificate of practice requiring prior residency in the country. The other Australian accounting bodies have not signed MRAs with the ICAI.

[xi]. For instance, Chartered Accountant members of the CA ANZ can gain reciprocal membership with the ICAEW, and through the ASIC, demonstrate they have met the practice and experience requirements necessary to obtain the license. Nonetheless, they will still need to prove their understanding of the UK principles of taxation and law by undergoing a local examination.

xii. While FTAs do not provide direct recognition of qualifications and licensing, Australia's FTAs encourage professional bodies to explore the possibility of negotiating MRAs and can give rise to frameworks under which MRAs could operate. For example, the Singapore-Australia FTA resulted in a signed MRA on accounting in 2014 and the Korea-Australia FTA was the basis for an MRA on engineering in 2015.

xiii. For Australian lawyers this involves being admitted and registered with the Law Society of New Zealand (for NZD 170) to receive a practicing certificate. Similarly, lawyers qualified in New Zealand can be admitted to the Australian legal profession. The process varies from state to state. Once admitted in Australia, they must comply with ongoing regulatory requirements. In the state of Victoria and New South Wales they must maintain an Australian practicing certificate as required by the *Legal Profession Uniform Law*.

xiv. The eight original signatories were Australia, Canada, Hong Kong, China, Ireland, New Zealand, South Africa, United Kingdom and United States. There are currently 18 signatories and six provisional signatories who have appropriate processes and systems in place but are not yet functional.

xv. For instance, the MRA between the American Institute of Certified Public Accountants and the National Association of States Boards of Accountants (which includes Australia), allow for a fast-track examination of professional qualifications to be work in the United States as certified public accountant, but the agreement does not exempt foreign accountants from obtaining local licenses where required.