



# AUSTRALIA-ASEAN BUSINESS COUNCIL

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21<sup>st</sup> August 2008

08JSCFADTSubmission01-Memos

The Secretary  
Foreign Affairs Sub-Committee  
Joint Standing Committee on Foreign Affairs, Defence and Trade  
Parliament House  
CANBERRA ACT 2600

Dear Dr Carter,

## **Australia's Relationship with ASEAN**

The Australia-ASEAN Business Council (AABC) welcomes this opportunity to provide a submission. We wish to address the following Terms of Reference:-

- opportunities to improve Australia's involvement in ASEAN
- free trade agreements with individual ASEAN countries
- opportunities to enhance the regional economy.

### **Background and Credentials:**

The AABC, which was originally established in 1980, was re-established and formally incorporated in the ACT in March 2007 after being in hibernation from 1995-2007. The vital need to establish a private sector interface with the negotiating teams on the ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA) to help ensure that the concerns and priorities of Australian business were understood, was the initial reason for re-establishing the Council.

The Secretariat is housed in the Canberra offices of the Australian Chamber of Commerce & Industry (ACCI) but operates as a separate and independent unit. (ACCI also houses the Australia-Malaysia and Australia-Thailand Business Councils. It is understood that the Australia-Malaysia Business Council will also be making a submission.) Both John Connor, the President, and Paul Gallagher, the Executive Director, have substantial experience in bilateral business councils. They held similar roles in the Australia Thailand Business Council from the initiation to the conclusion of the Thailand-Australia Free Trade Agreement (TAFTA).

The revitalised Council is to be constituted by a small number of large Australian corporates, the Australian regional headquarters of multinationals, and niche market leaders with a significant exposure in the ASEAN region. Each organisation's representative ideally possesses the strategic understanding of their organisation's current and future activities in the ASEAN region. For some, representation is split between an Australian based person and one who works in a regional role based offshore – most often in Singapore.

Assuming that an AANZFTA will be signed, then the Council envisages its future roles to include:-

- representing the interests of members during the implementation of the agreement. We anticipate this will be substantially facilitated by the establishment of an appropriately staffed permanent FTA implementation unit that is to be housed within the ASEAN Secretariat as part of the FTA arrangements. (The creation of this unit, which was first proposed by the Council, has been enthusiastically supported both by the ASEAN Secretariat and the negotiating governments.)
- a parallel phase of activity will comprise the active the monitoring, in the interest of members, of the implementation of the ASEAN Economic Community (AEC) Blueprint. This was signed by the ASEAN Leaders in November 2007 in Singapore and aims for an open economic community for the ASEAN 6 (Brunei, Indonesia, Malaysia, Philippines, Singapore, Thailand) by 2015 and 2020 for the remaining four.
- matters of on-going commercial interest with individual ASEAN Governments.

### **Opportunities to improve Australia's involvement in ASEAN**

1. The Council is fully supportive of a comprehensive ASEAN-Australia-New Zealand Free Trade Agreement, whilst appreciating that due to the widely differing stages of economic development of the ASEAN members, the agreement cannot be as comprehensive or as ambitious as a negotiation with an OECD developed economy such as the United States or an avowed 'free trader' such as Chile.

2. The Council commends the announcement of 24<sup>th</sup> July by the Hon. Stephen Smith MP, Australia's Minister for Foreign Affairs, that Australia will appoint an Ambassador to ASEAN. The opportunity to do so no doubt stems from the 20<sup>th</sup> November 2007 decision of the ASEAN Leaders' Meeting in Singapore to adopt the ASEAN Charter thereby giving it a legal entity status that it has not possessed over the prior 40 year history of ASEAN.

The announcement signals Australia's commitment to its neighbours which have, through the ASEAN Charter and the ASEAN Economic Community (AEC) Blueprint, etc been establishing an 'architecture' to reflect a greater regional consciousness.

3. Especially since the 'Asian Financial Crisis' of 1997-1998, the Australian business community has become increasingly focussed on to the opportunities presented in China, the United States, Europe and lately India. In so doing, business has sometimes lost sight of the fact that in two-way trade terms, ASEAN as a bloc, at \$70.7 billion or 15.6% of Australia's two-way trade exceeds the business done with any individual trading partner – China 12.8%, Japan 12.0%, US 10.5%. Singapore at 4.9% and Thailand at 3.2% are, in their own right, respectively Australia's fifth and eighth largest two way trade partners. Given the ASEAN area's population of 550 million and own endeavours to more effectively integrate its marketplace, then the signing of an AANZFTA should help to reverse this recent neglect – the FTA 'Head-turning' affect.

4. The 2006 inclusion of Australia and New Zealand in the East Asia Summit (EAS) grouping with Japan, China, Korea and India assists our nation's integration into the East Asian region and helps prevent us from being excluded us from the initiatives of the region. As the larger ASEAN economies are also APEC members, then that grouping's trade facilitation endeavours provides additional opportunities for Australia to interact with various ASEAN countries.

5. Those engaged for any length of time in business, particularly in South and South-East Asia often meet and do business – traditional commerce or applying for licenses to operate – with alumni of Australian tertiary institutions. There is a broad recognition that these alumni have helped Australia become increasingly integrated into Asia rather than remain a 'European Outpost' in the region. Considering the composition of Australia's immigration intake, these contacts are going to continue to flourish with the added dimension of their interlocutor often having 'family' in Australia.

The Colombo Plan generation have been an enormous asset for Australia in ASEAN as have the large numbers of privately funded students who have gained Australian degrees. Over the past decade, a number Australian universities have set up offshore campuses and now compete for local and regional students with ASEAN tertiary institutions have in turn expanded and increased their standing in their local communities. New opportunities are envisaged if Australia was to put a focus on post-graduate studies in a national scholarship plan with an emphasis on degrees that would enhance the economic development of the student's country, for instance, engineering, science, technology, agriculture.

Intensely conservative and/or entrenched interests within professional licensing authorities affect the mutual recognition of Australian qualifications. More graduates with an Australian qualification will not swamp the local degree holders but will eventually help negate these forces. Such recognition has a particular value for the ability of Australian professional advisors – engineers, accountants and lawyers, etc – operating offshore. Acceptance of Australian qualifications would lead to 'bridging courses' to higher qualifications and normal professional development courses being recognised.

'Education' is Australia's third largest export. Although not 'sexy', it is believed that there would be many rewards from a sustained commitment to develop and support Alumni Associations in ASEAN countries, for instance by appointing country coordinators. Furthermore, an appropriate resource should be funded to conduct a biennial or triennial International Alumni Conference for East Asia that could alternate between Australian and Asian cities. This conference would run a number of parallel streams around a core programme. The focus would be topical and on work issues relevant to broad groups of business and academic involved alumni.

Australia's world class experience in delivering courses by 'distance learning' has applicability to the region because, at worst, there is a four hour lag on eastern sea-border states during the summer months for the interface with the Australian deliverer. This would hasten the increased integration of the economies of Australia and its neighbours.

Re-establishing serious support for ASEAN languages at primary, secondary and tertiary levels of Australian education is strongly supported, as is the importance of encouraging of Australian undergraduates becoming more Asian literate by experiencing the cultures of the region. Both would increase Australia's credibility and experience in the region.

### **FTAs with individual ASEAN countries**

The AABC endorses the principles regarding bilateral FTAs included in ACCI's recent submission to The Review of Export Policies and Programs (Mortimer Review of May 2008), namely that they must, if at all possible:-

- be bold and comprehensive, ie cover goods, services and investment;
- cover substantially all trade between the two countries - a requirement imposed upon Australia from its membership of the WTO; and
- be 'WTO-plus' or put simply, they must deliver trade liberalisation outcomes for Australia beyond those that would come from ordinary negotiations within the mainstream of the WTO system.

Following the signing of the AANZFTA, future bilateral FTAs with ASEAN members should logically be AANZFTA Plus.

The Council believes that the ASEAN countries may well be absorbed with their own AEC Blueprint integration until 2015 for the ASEAN 6 and 2020 for the remaining four as well as the implementation of the AANZFTA before initiating any truly comprehensive negotiations with Australia involving enhanced goods, services and investment liberalisation. However, we should continue to pursue opportunities for integrating the Australian economy into the ASEAN region.

Efficiency in manufacturing will only go so far. For international competitiveness, the manufacturing sector needs the support of a globally engaged 'services' sector. Within ASEAN, there is a growing awareness of this need to build their global competitiveness profile so as to attract FDI against China and India. Hence, the mobility of people, foreign ownership, access for the professions, finance, etc are a necessity. Where a country wished to enhance one or other of these liberalisations beyond the AANZFTA or Doha commitments bilaterally with Australia, then this should be encouraged.

If a bilateral FTA with any particular country is seen as "too difficult", then the Council's recommendation is that a Trade and Economic Framework Agreement (TEFA) could be an effective interim step. A TEFA involves nominating areas of economic activity, say five or six, that could be enhanced through liberalisation and/or cooperative action for mutual advantage.

### **Opportunities to enhance the Regional Economy**

The dominant export sector of the ASEAN region is manufacturing. The output is either completely assembled items ready for end consumer sale such as automobiles or TVs, or component manufacture, for instance computer chips. With the exception of the multinationals attracted to the area's disciplined, literate and previously cheap workforce, the vast majority of manufacturers are small and component suppliers.

The 'Economic Cooperation' Chapter of the AANZFTA is understood to include specific programmes of economic capability building and a mechanism for assisting countries to implement their AANZFTA commitments and realise the opportunities it presents with respect to their domestic and export sectors. It is the Council's appreciation that the ASEAN countries view this Chapter as a key quid pro quo for market access under the FTA. If the programmes have measurable outcomes, then Australia's support for them is encouraged.

Each ASEAN economy wishes to attract FDI that will build their manufacturing or services sectors and particularly their export capacity. Global competition for FDI is strong and the criteria for a country to increase its attractiveness are well understood. Despite the proximity of the ASEAN countries, Australian investment has not favoured ASEAN over any of the other global regions. Increased market access for goods, services and investment under the AANZFTA would undoubtedly improve the attractiveness of ASEAN as an Australian FDI destination.

The Council would be pleased to provide any additional comments to assist the Sub-Committee's deliberations.

Yours sincerely,

John K Connor  
President

per  
Paul Gallagher  
Executive Director