

**The Australian Government Response  
to the report of the  
Joint Standing Committee on Foreign Affairs, Defence  
and Trade**

*Implications of Australia's Services Exports*

*to*

*Indonesia and Hong Kong*

November 1997

## INTRODUCTION

On 15 November 1994 (37th Parliament) the then Minister for Trade, Senator the Hon Bob McMullan referred to the Joint Standing Committee on Foreign Affairs, Defence and Trade (JSCFADT) for investigation and report a reference into the implications of Australia's exports of services to Indonesia and Hong Kong.

The inquiry was re-referred on 16 July 1996 (38th Parliament) by the Minister for Trade, the Hon Tim Fischer, MP. The JSCFADT forwarded its report to the Government on 13 December 1996.

The terms of reference of the inquiry were to investigate and report on the implications of Australia's export of services to Indonesia and Hong Kong with particular reference to:

- . the Australian commercial environment including matters such as currency, taxation, banking, the legal framework, insurance, investment, research and development and education;
- . any trade barriers that services exporters face and ways to alleviate them; and
- . the competitiveness of Australian services in these markets.

The following represents the Australian Government's response to the 32 recommendations made by the JSCFADT. On the whole, the Government has initiated or has implemented all of the recommendations of the JSCFADT. Only one recommendation (Recommendation 1) has not been agreed to. Recommendations requiring financial commitment will be considered in the context of Departmental budgetary allocations. In relation to Recommendation 9, which is directed to Australian companies, the Government does not attempt to provide a response on behalf of industry, but instead addresses the issue of how Government can best ensure that appropriately trained people continue to enter the workforce. The Government has indicated "Agreed" to those recommendations where action has already been taken, "Agreed in principle" to those where action is pending and "Agreed in part" where the recommendation itself has been overtaken by changes in government structures or where part of the recommendation is not agreed to.

The Department of Foreign Affairs and Trade has prepared the Government response in consultation with AusAID, Austrade, Australian Bureau of Statistics, Department of Employment, Education, Training and Youth Affairs, Department of Immigration and Multicultural Affairs, Australian Taxation Office, Department of Attorney-Generals, Department of the Treasury, Department of Industry, Science and Tourism, Department of Health and Family Services and Standards Australia.

## CHAPTER TWO :

### AUSTRALIA'S SERVICE TRADE AND THE GLOBAL NETWORK

#### Recommendation 1:

*1. As a matter of urgency the Department of Industry, Science and Tourism re-establish a unit to provide advice on users' needs to the Australian Bureau of Statistics on the best approach to develop more comprehensive service statistics.*

#### **Response**

Not Agreed

#### **Comment**

The Government does not favour this approach. The Services Statistics Group (SSG) in the Department of Industry, Science and Tourism was established to assist the Australia Bureau of Statistics (ABS) to develop a service statistics strategy that adequately reflected user needs. The ABS now has in place a comprehensive, consultative strategy that brings together the diverse needs of the various levels of government, and industry.

The strategy is continually assessed in consultation with the Australian Statistics Advisory Council and user groups that are interested in particular services industries (for example transport, tourism and community services). The Government believes that this approach is more effective in meeting user needs than through a single user group.

The Government believes that re-establishing a unit within the Department of Industry, Science and Tourism to provide advice on user needs would result in considerable overlap and duplication with the significant work being undertaken by the ABS in this area.

#### Recommendation 2:

*2. The Australian Bureau of Statistics continue its efforts to ensure that service sector data is brought into line with that of the manufacturing, mining and agricultural sectors.*

#### **Response**

Agreed in principle

#### **Comment**

The Government notes that, due to the diversity and nature of the services sector, it is not likely that the ABS will be able to bring service sector statistics completely in line with those for manufacturing, mining and agriculture. The ABS has, however, in recent years significantly increased resources applied to services statistics. This has resulted in more frequent and more comprehensive information becoming available about the services sector. For example, international trade in services statistics have become available on an annual basis.

**Recommendation 3:**

3. *The Australian Bureau of Statistics budget be adjusted to enable this to occur.*

**Response**

Agreed in part

**Comment**

The Government notes that the Australian Statistician expects to accommodate, within the ABS budget, some continued increase in the resources devoted to services statistics in the next few years. Any significant increase would need to be considered in the overall budget context.

**Recommendation 4:**

4. *All government departments consider the extent to which relevant service statistics can be collected and published.*

**Response**

Agreed in part

**Comment**

The ABS, as the principal Government agency responsible for data collection and dissemination, has taken a major initiative in developing and implementing a strategy for the improvement of statistics on services industries. Further, the ABS intends to develop a directory of services statistics and a compendium publication which would include statistics from both ABS and non-ABS sources.

**CHAPTER THREE**

**AUSTRALIAN COMMERCIAL ENVIRONMENT - TAXATION**

**Recommendation 5:**

5. *The Australian Taxation Office, in its work on compliance costs reduction, undertake a more comprehensive ongoing sampling of the views of individual businesses to ensure its actions are based on an accurate and realistic understanding of business problems and requirements.*

**Response**

Agreed in principle

**Comments**

The Australian Tax Office (ATO) recognises that due to the magnitude and diversity of businesses, no one solution exists for the reduction of compliance costs. A variety of strategies are required for an effective reduction in costs across the market segments.

While the ATO recognises the benefits of ongoing sampling, the feedback from small business operators to earlier ATO surveys has been critical of the level of intrusion and perceived time consuming nature of surveys. Surveys themselves are often seen as an additional cost of compliance detracting from the resources available for running a business.

This aspect has been highlighted in the Report of the Small Business Deregulation Task Force titled *Time for Business* released on 1 November 1996. Chapter 5 of the report, while principally dealing with Australian Bureau of Statistics surveys, highlights the negative feelings caused by surveys in general. Recommendation 19 of the Task Force Report states, in part: "That all public and business organisations collecting statistics review and reduce their collections where possible..."

However, the ATO is endeavouring to use other methods and systems to gather feedback from businesses. These methods include reports and representations to the Commissioner's Small Business Consultative Group, and the regional and national tax liaison groups, as well as surveys conducted by these groups.

**Recommendation 6:**

**6. *The Australian Taxation Office and Treasury keep the Double Taxation Agreement with Indonesia under active review and at the earliest appropriate time the Government renegotiate a more favourable tax treaty.***

**Response**

Agreed in part

**Comments**

Since the Indonesian Double Tax Agreement was concluded in 1992, Australia's treaty policy has changed to reflect the view that Australia should seek reciprocity in its treaties for the provision in Australia of the dividend withholding tax exemption. This exemption is provided through the system of dividend imputation for franked dividends.

The ATO and Treasury are currently reviewing priorities for Australia's tax treaty program and as part of that review are considering how the lower dividend withholding tax limit can most effectively be extended to treaties with countries in which Australian companies are active. It is intended that priority be given to the renegotiation of treaties with those countries in which the level of Australian investment is highest. Although the level of investment in Indonesia has increased substantially in recent years, it still represents less than 1 percent of the total Australian investment abroad.

The order of priority for treaty renegotiation will also take account of the willingness of treaty partners, including Indonesia, to renegotiate, and the nature of any concessions that might be sought by them in renegotiation.

## CHAPTER FOUR

### AUSTRALIAN COMMERCIAL ENVIRONMENT - VISAS, FINANCE AND OTHER MATTERS

#### Recommendation 7:

7. *The Australian Government and Australian business continue to develop the APEC Business Travel Card proposal and consult with APEC countries to widen participation in streamlining border processing for accredited business visitors.*

#### Response

Agreed in principle

#### Comments

On 23 November 1996, the Prime Minister of Australia, together with the President of the Republic of the Philippines and the President of the Republic of Korea, announced the introduction of the APEC Business Travel Card on a trial basis.

The initiative is being trialed between Australia, the Republic of the Philippines and the Republic of Korea in 1997. The trial commenced in April 1997 and will run for a period of six months. It will involve around 300 business persons from each participating economy. The APEC Business Travel Card system is based on a process of accrediting business persons from participating economies and giving them the equivalent of visa-free travel through a simple immigration "pre-clearance" process. Cardholders will also benefit from fast-track processing through special "APEC Lanes" at major points of entry.

Several other APEC members have expressed interest in joining the APEC Business Travel Card system. The Government is continuing to develop and refine the system and will be consulting with other APEC members about their prospective participation during the course of the trial.

The APEC Business Advisory Council will be kept informed on the progress of the trial. All APEC economies will be encouraged to join the scheme beyond the conclusion of the trial period.

#### Recommendation 8:

8. *The Department of Employment, Education, Training and Youth Affairs commence its promotion of the Australian qualifications framework as a matter of urgency.*

#### Response

Agreed in principle

#### Comments

DEETYA accords a high priority to promotion of the Australian Qualifications Framework (AQF). The *Australian Qualifications Framework Advisory Board (AQFAB)* was established in 1995 by the *Ministerial Council on Employment, Education, Training and Youth Affairs (MCEETYA)* to promote and monitor the implementation of the AQF. AQFAB has been

working in close consultation with the *Australian International Education Foundation* (AIEF) to develop a marketing strategy for the promotion of the AQF internationally.

International marketing of the AQF commenced with the AIEF preparing a promotional pamphlet aimed at international students. The pamphlet, together with an introductory booklet, was circulated in December 1996 to the AIEF offshore network and the international offices of education and training institutions in Australia for use in recruitment campaigns. Reference to the AQF has also been made in some recent AIEF promotional efforts such as its web site and marketing materials. Promotional materials will be updated as appropriate.

Priority has been given to generic international marketing and promotion of the AQF. This approach is aimed at improving knowledge of the AQF amongst key personnel in the international education field and generally to the overseas market.

#### **Recommendation 9:**

**9. *Australian companies adopt a policy of recruiting and supporting students with both language and professional skills to provide an important resource for Australian businesses operating in the Asia-Pacific region in the future.***

#### **Response**

Agreed in principle

#### **Comments**

The content of the Australian curriculum is the responsibility of the States and Territories and their institutions. However, DEETYA supports the development of a pool of students with relevant linguistic and professional skills by providing funding to support school and community based language programs, which also permit instruction in cultural studies. The *National Asian Languages and Studies in Australian Schools* program supports the infusion of Asia content into the mainstream school curricula. These programs introduce students to language study and cultural studies, providing a skills base required by Australian business.

DEETYA funded programs such as the *University Mobility in Asia and the Pacific* (UMAP) and the *Targeted Institutional Links* (TIL) programs also increase the linguistic and professional skills of the Australians. UMAP enhances the quality of higher education in Australia through increased mobility of higher education students and staff. It specifically assists the development of schemes for Australian students to undertake study abroad as part of their degrees.

The *Australia Indonesia Merdeka Fellowships*, announced by the former Prime Minister in August 1995 as part of Australia's gift to Indonesia on the fiftieth anniversary of Indonesia's declaration of independence, are also enhancing the skills of Australians through study and work placements for Australian and Indonesian mid career professionals.

**Recommendation 10:**

**10. The Department of Employment, Education, Training and Youth Affairs, in co-operation with State and Territory Departments, keep comprehensive statistics on the number of students by each year-level studying Asian languages.**

**Response**

Agreed in principle

**Comments**

Improved statistics are crucial to understanding and to the development of appropriate policies and strategies in this area.

Current statistical data available on *languages other than English* (LOTE) study relates to Year 12 completions only. The lack of comprehensive statistical data is due to reporting difficulties by the State and Territory education authorities. To address these problems, under the auspices of Ministerial Council on Employment, Education, Training and Youth Affairs *Taskforce on Schools Statistics* (TOSS), the Department of Employment, Education and Training funded the *Data Collection for LOTE Project* from May 1995 - December 1996. The project is developing a data gathering instrument that incorporates an acceptable common range of data gathering fields for LOTE education. LOTE will be one of the major focus areas in the 1997 *Annual National Report on Schooling in Australia* (ANR) publication, providing for the first time the most comprehensive statistical data on LOTE studies.

Flowing from this project, the Ministerial Council on Employment, Education, Training and Youth Affairs' *National Asian Languages and Studies in Australian Schools* (NALSAS) Taskforce has agreed that key performance data be reported on the four NALSAS targeted Asian languages - Mandarin (Chinese), Indonesian, Japanese and Korean for the 1996 *Annual National Report on Schooling in Australia* (ANR). For each of the four targeted Asian languages, key performance data have been identified, including the number of students and year-level.

In terms of the higher education sector, it is not possible to report on the number of students undertaking study in particular Asian languages at Australian universities. To report on students at that level of detail would require major enhancements to the Higher Education Student Collection data set and would impose major additional reporting burdens on Australian universities.



**Recommendation 11:**

**11. *The Department of Employment, Education, Training and Youth Affairs encourage, in conjunction with State and Territory Ministers, the availability within the Australian education system of Mandarin and Indonesian language courses.***

**Response**

Agreed in principle

**Comments**

At the level of higher education, support for the teaching of languages is provided with minor exceptions, through universities' block operating grants. Institutions are free to allocate internally according to their own priorities including for the teaching of Mandarin and Indonesian.

At the school level, DEETYA has developed the *National Asian Languages and Studies in Australian Schools* (NALSAS) Strategy. This is a collaborative initiative of the Commonwealth, State and Territory governments.

The Commonwealth's financial contribution to the NALSAS Strategy totals \$69.9 million over four years, from 1994/95 to 1997/98. This amounts to 50 percent of the total cost of the Strategy, with the remaining 50 percent of the cost being met by the States and Territories. Funding of NALSAS for 1997 and 1998 is included in the States Grants (Primary and Secondary Education Assistance) Act 1996, with \$37.2 million allocated to this Strategy over the two years.

Approximately 5% of the Commonwealth's funding contribution to NALSAS is set aside each year to fund specific projects. In 1996/97 funding has been made available for the development of a Modern Standard Chinese course for teachers by distance education mode. The development of a Graduate Certificate course on Indonesian language for teachers is underway, and the course will be offered nationally in 1998.

Additionally, the Commonwealth supports the *Asian Education Foundation* and *Language Australia*. These organisations undertake a range of initiatives which directly or indirectly impact on Chinese and Indonesian language and cultural studies.

**Recommendation 12:**

**12. *Government, business, and educational institutions provide adequate language and cultural training for their executives who work or do regular business overseas.***

**Response**

Agreed in principle

**Comments**

The Government provides various forms of language and cultural training for officers who will be working overseas on a long term basis. The largest number of officers are trained under the auspices of the Language Studies Section in the Department of Foreign Affairs and Trade. In 1995/96 it provided training resources for 209 DFAT officers and 53 spouses in a

total of 31 languages. The ADF school of languages also trains significant numbers of ADF personnel and members of the APS.

In addition, both DFAT and Defence collaborate on language training matters with other agencies through an Interagency Language Training Forum which meets biannually. Participating departments and agencies include Federal Policy, Attorney General's, AusAID, Austrade, Australian Customs Service, Employment, Education, Training and Youth Affairs, Immigration and Multilateral Affairs and representatives of providers. Non-DFAT officers may join DFAT intensive language training classes where appropriate on a cost-recovery basis, and may participate in lunch-time discussion classes where places are available.

The Government does not provide specific language and cultural training for private sector executives. Both Government and private sector executives have access to adult language education language classes provided through public education institutions (Institutes of Technology and Universities).

Austrade has produced several guides to doing business overseas which include language and cultural information and are available for use by executives from Government, business and educational institutions. The DFAT audio-cassette kits on Chinese and Indonesian in the cross-cultural "connections" series have been well received in both the public and private sectors. In addition, the Counsellor (Education and Training) of the Australian Embassy in Jakarta, has compiled a specific booklet on doing educational business in Indonesia which provides cultural and linguistic information for Australian education and training providers.

**Recommendation 13:**

***13. The Australian Government direct its agencies to develop strategies to improve the linkages between their programs and international education export activities.***

**Response**

Agreed in principle

**Comments**

The Government has improved its linkages between programs and international education export activities through the implementation of the *Australian International Education Foundation Business Plan 1996/97* which was developed to give effect to the first year of a five year strategy outlined in the *AIEF's Strategic Plan 1996-2001*.

The *AIEF Strategic Plan 1996-2001* was developed through an interdepartmental reference group which included AusAID, DFAT, the Department of Immigration and Multicultural Affairs and AUSTRADE, as well as broadbased community and education institutional representation. A review of the AIEF mechanism has recently been completed. The Government has yet to finalise its response to the review.

**Recommendation 14:**

***14. Austrade and the offices of Australia's Executive Director to the World Bank and Asian Development Bank ensure that Australian Business is alerted to the service export opportunities available through both the World Bank and Asian Development Bank tendering processes.***

## Response

Agreed in principle

## Comments

DFAT, Austrade and AusAID officers, as well as Australian representation to the World Bank and the Asian Development Bank, play a role in bringing to the attention of Australian services exporters the opportunities available through the Banks' tendering processes.

Each of the Australian Government agencies and entities involved in multilateral procurement activity has its own areas of expertise and related procurement promotion activities. The strategy now in place helps to coordinate these activities and avoid duplication. Austrade's overseas network of Trade Commissioners facilitates contacts between Australian business representatives and relevant decision makers of Bank-funded projects in Borrower countries and some UN agencies. Austrade also facilitates contacts with Bank officials by maintaining specialist Trade Commissioners in Washington (World Bank), Manila (ADB) and London (EBRD).

Austrade's Australian Operations provide a comprehensive range of services to Australian companies seeking business with the Banks. For instance, Austrade's Hotline staff provide general information to callers, and if required, refer the enquirer to experienced Export Advisers for specific advice including information on Austrade services. Information about the Bank opportunities is available from Austrade's Internet web site "World Direct".

Intelligence collected by Austrade about Bank opportunities is sent to appropriate companies for possible follow-up action. In the case of major opportunities, Project Managers of the Major Opportunities Group are available to pull together Austrade services aimed at helping companies win business from Bank opportunities.

The Minister for Foreign Affairs and the Minister for Trade agreed to the establishment in March 1996 of a Multilateral Procurement Unit (MPU) within DFAT to help reinforce government efforts led by Austrade to develop and implement the multilateral procurement strategy.

The MPU strategy comprises two main elements. The first is to be active domestically in encouraging Australian companies to become involved in multilateral procurement. This is achieved through the dissemination of information to industry associations, trade journals, newsletters and specialist bulletins and briefing sessions with industry groups and individual companies.

The second element of the MPU strategy is using Austrade's Overseas Network and DFAT's designated multilateral procurement officers in 57 overseas missions to help Australian companies in their effort to win Bank business. The Austrade and DFAT roles are complementary in that where there is no Austrade representative in an overseas mission, DFAT officers would brief visiting Australian business representatives, develop relevant contacts in the Executing Agencies, obtain intelligence on opportunities from the Banks and work with companies or groups of companies in the development of these opportunities through the global network.

Further information on DFAT MPU activities and internet contact addresses for the Multilateral Banks, as well as Austrade, are available on the Department of Foreign and Affairs and Trade's Multilateral Procurement Unit Home Page (<http://www.dfat.gov.au/mpu>).

DFAT and Austrade form part of a steering committee for the planning of a United Nations/ World Bank conference to be hosted by the NSW Parliament in Sydney in November 1997. Separately, Austrade is organising an ADB Business Opportunities Seminar program in Australia scheduled for late October.

AusAid, which funds Australia's contributions to the World Bank and the ADB, is also able to facilitate contacts in the Banks and provide information to Australian companies about development priorities and target sectors in a particular economy. Australia's representation on the Bank Boards and their offices welcome direct contact from business representatives and, when visiting Australia, make an effort to address industry groups and State Chambers of Commerce.

**Recommendation 15:**

*15. In the light of the review of Australia's aid program, the Government give consideration to improving arrangements for capitalising on the commercial opportunities arising from Australia's aid program, including new export opportunities for the services sector.*

**Response**

Agreed in principle

**Comments**

The Government wishes to maintain a strong Australian identity to its aid program, although short-term commercial goals will not be part of the aid program's objective. The Government will continue to encourage Australian firms and individuals to become involved in the delivery of the Australian aid program, which will focus on five key sectors: education; health; infrastructure; rural development and governance.

AusAID will continue to retain primary contractual relationships with firms which are registered with the Australian Securities Commission or have a head office in Australia. However, changes will be implemented to improve capacities in developing countries by encouraging greater participation of recipient country personnel and, through sub-contracting arrangements, firms in the delivery of Australian aid. As well as improving aid quality and private sector capacity in developing countries, this will build links between Australian and recipient country firms in the services sector.

**Recommendation 16:**

*16. The Department of Industry, Science and Tourism advertise AusIndustry services and assistance more widely and effectively, particularly to potential and existing service exporters.*

## Response

Noted

## Comments

This issue will be considered in the context of the Government's response to the Mortimer Report, *Going for Growth - Business Programs for Investment*. The Government is determined to ensure that programmes are well targeted, provide efficient and effective use of public funds, contribute to economic growth and assist business to prepare to meet the challenges of the global marketplace. Industry and community groups have been invited to comment on the report. The Government has undertaken to consider the report expeditiously.

### Recommendation 17:

*17. Austrade communicate its client policy more effectively to ensure that small to medium service exporters are aware of programs available to provide export assistance.*

## Response

Agreed in principle

## Comments

Austrade revised its client service policy in 1995. The new policy was developed over a 12 month period with major input from client focus groups. A strategy for communicating both Austrade's client service policy and the services Austrade offers was developed and continues to be implemented.

Restructuring of Austrade in late 1996 aimed to improve relationships with small and medium sized exporters. The new structure is better geared to respond to the type of service clients are seeking, regardless of industry sector.

Practical examples of changes to improve communications to small and medium exporters of export assistance programs and services include:

- the establishment of an export advisory/marketing unit to deliver opportunities identified by Austrade's overseas offices to Australian companies (the unit also provides export advice and facilitates the delivery of Austrade's services to clients)
- stretching Austrade's geographical reach in Australia to regional centres, including offering some services through allies such as State and regional organisations and business chambers
- significantly increased volume and quality of readily available, free, sector specific information (there are now more than 400 market profiles and 40 business briefs on Austrade's intranet system - a large proportion of the market profiles focus on the services sector).

In addition, through its telephone "Export Hotline" service, its internet "Austrade World Direct" and its newsletter "Export Update", Austrade provides clients with relevant, up to date, free information on services and products available. The advisers are qualified to talk about Austrade's services and in addition to advising companies on Austrade's export

facilitation services, they have databases of services offered by appropriate referral agencies. The Export Hotline receives around 70000 calls per year.

**Recommendation 18:**

*18. Austrade publish a brochure for potential service exports dealing with the challenges and opportunities of individual overseas markets and outlining the various schemes that offer assistance.*

**Response**

Agreed in principle

**Comments**

Austrade produces sector specific Market Profiles and a range of country specific Business Briefs for clients, covering items such as business etiquette, public holidays, travelling to the market, and establishing a presence in the market. The Business Briefs were first published in November 1996.

There are over 400 product and service-specific Market Profiles and more than 40 Business Briefs. The documents are free to Australian companies.

Opportunities in the services sectors are well represented in the market profile series and the business brief series is particularly valuable to service companies, containing information on establishing a presence in the market.

**CHAPTER 5**

**AUSTRALIA'S SERVICE EXPORTS TO HONG KONG**

**Recommendation 19:**

*19. The Department of Employment, Education, Training and Youth Affairs work with State and Territory Government authorities and professional institutions in Australia to ensure that overseas graduates undertaking courses in Australia are able to stay on for the extra time needed to gain full accreditation.*

**Response**

Agreed in principle

**Comments**

The context of this recommendation is that there have been occasions when university academics have complained that post-graduate research students have not been granted a visa of sufficient duration to permit assessment and revision of their theses.

The Department of Employment, Education, Training and Youth Affairs wishes to advise the Joint Standing Committee that, while they support students completing their post-graduate research, the provision of visas to allow students to stay in Australia for sufficient duration to

permit assessment lies outside their portfolio responsibilities. The Department of Immigration and Multicultural Affairs is actually responsible for the provision of visas.

The policy of the Department of Immigration and Multicultural Affairs is that where a student is expected to complete their course at the end of the academic year they are granted a student visa valid until 15 March of the following year. The completion date of the course is taken from the official confirmation of enrolment provided by the institution at which the student is enrolled.

The Migration Regulations provide that a student may be granted a further student visa to remain in Australia during the marking of a post-graduate thesis. Policy requires the student to provide a statement to this effect from the Registrar's office of the relevant institution.

**Recommendation 20:**

*20. All organisations involved in international education, work to promote a cohesive Australian identity overseas and ensure that competition between Australian providers is not damaging Australia's reputation as a quality education service provider.*

**Response**

Agreed in principle

**Comments**

The Australian International Education Foundation (AIEF) was launched in 1994 as a means of creating a partnership between government and industry for promoting and marketing Australia's education and training services internationally, and for promoting Australia as an international leader in quality education and training services.

The AIEF has provided an opportunity for stakeholders to work together in promoting Australian education and training, and to improve the cohesion and marketing of Australian education training offshore.

A review of the AIEF mechanism has recently been completed. The Government has yet to finalise its response to the review.

**Recommendation 21:**

*21. Australia encourage the adoption of international standards (ISO) in Hong Kong with a view to promoting freer interchange in services between Australia and Hong Kong.*

**Response**

Agreed in principle

**Comments**

The Department of Foreign Affairs and Trade (DFAT) recognises the importance to Australia's trade in services of the adoption of international standards by its major trading partners including Hong Kong and of maintaining pressure through multilateral and bilateral channels for Hong Kong to open further its domestic market to Australian service providers. Through multilateral negotiations and regional and bilateral discussions DFAT will continue to encourage Hong Kong's adoption of international standards and the further opening of

Hong Kong's services on an agreed basis. The Recommendations of the Joint Standing Committee have been drawn to the attention of the Consulate in Hong Kong to raise with the Hong Kong authorities in due course, in line with the agreed Government response to the JSCFADT report.

Alignment of members' standards with relevant international standards is a key element of APEC's standards and conformance work and a number of priority areas have been selected for alignment by 2000/2005. APEC members will contribute to work to develop international standards for building and construction materials as a precursor to aligning their standards with these international standards. This is an area of work that is likely to be of interest to Australian service providers.

Professional standards or qualifications (which are not covered by ISO standards) can also be a significant impediment to trade in services. APEC's Human Resource Development Group has begun work on a "Mutual Recognition of Qualifications Project" with a particular focus on engineers. Australia will also encourage the recently established APEC Group on Services to identify ways that it can address the issue of professional qualifications.

Hong Kong is a correspondent member of the International Organisation for Standardisation. This allows them to obtain information on proposed international standards and to comment on draft standards. The Department of Industry, Science and Tourism, through its representation on the APEC Standards and Conformance Sub Committee (SCSC) will be kept informed of each country's progress on alignment with international standards through reports at each SCSC meeting.

**Recommendation 22:**

***22. The Australian Government maintain pressure through multilateral and bilateral channels for Hong Kong to open further its domestic market to Australian service providers.***

**Response**

Agreed in principle

**Comments**

Hong Kong is an externally oriented and very open economy by international standards and its 1996 APEC Individual Action Plan was one of the most constructive presented last year.

Hong Kong's 1996 Individual Action Plan (IAP) included a number of liberalisation initiatives of interest to Australian service providers, including establishment of non-discriminatory criteria for foreign lawyers to practice as barristers by 2000. A key priority in 1997 will be to encourage Hong Kong to improve its 1996 IAP and to further liberalise its trade and investment regime.

On the multilateral level, at the WTO negotiations on basic telecommunications, which concluded on 15 February 1997, Hong Kong agreed to open its market for the resale of international fax and data services. Hong Kong has also committed to regulatory principles which are designed to facilitate competition. The WTO negotiations on financial services, which started in April 1997 and are scheduled to conclude in December 1997, offer an opportunity to pursue Australia's market access concerns on financial services with Hong Kong. The WTO Working Party on Professional Services is due to conclude its work on



accountancy services by the end of 1997 and this may facilitate market access into Hong Kong. The next broad-based round of multilateral services negotiations is due to begin by 2000 and Australia is playing an active role in the lead-up to that round.

**Recommendation 23:**

***23. Australia maintain a high profile in ensuring that the principles of the Joint Declaration and the Basic Law are upheld in Hong Kong after 1 July 1997 to enable trade and investment in Hong Kong to continue with confidence.***

**Response**

Agreed in principle

**Comments**

The Australian Government's approach to Hong Kong's transfer of sovereignty from Britain to China on 1 July 1997 is based on the Australia's extensive interests in Hong Kong - interests that extend beyond the historic transfer of sovereignty on 1 July 1997: over 30,000 Australians live there; and in 1996, Hong Kong was Australia's ninth-largest export market (\$A3.0 billion). It is also the fourth largest source of foreign investment in Australia, and Australia's sixth-largest source of overseas students. Australia's long-term consular, commercial and regional interests will be best served by the full implementation of the undertakings about Hong Kong's future made in the 1984 Sino-British Joint Declaration on the Question of Hong Kong, particularly delivering the "high degree of autonomy" promised to Hong Kong in the Joint Declaration and the Basic Law, in all matters except foreign and defence affairs.

The Australian Government maintains, and will continue to maintain, close contact with the Chinese and Hong Kong authorities on Hong Kong issues that affect Australia's interests there. Following the successful transfer of sovereignty, the Government continues to underline the importance of Australia's interest, and to Hong Kong's continued stability and prosperity, of the maintenance of Hong Kong's free and open social and economic systems; the continuation of the rule of law; the free flow of information, labour and capital; and the rights and freedoms enjoyed by the people of Hong Kong.

Australia has taken a number of actions to support Hong Kong's retaining its economic autonomy beyond 1 July consistent with the Joint Declaration and the Basic Law. Australia has supported Hong Kong's continued participation in the WTO and APEC. Australia has concluded two economic bilateral agreements with Hong Kong: an Investment Protection and Promotion Agreement and bilateral air services agreement. China has endorsed these agreements through the Sino-British Joint Liaison Group (JLG), which ensures their continued application beyond the transfer of sovereignty. Australia has also enacted the *Overseas Missions (Privileges and Immunities) Act 1995*, which facilitated the establishment of Hong Kong Government economic and trade representation in Australia and its continuation beyond the transfer of sovereignty. The Government has also negotiated with China an agreement to ensure Australia's continued consular representation in Hong Kong after 1 July 1997.

High-level visits to China and Hong Kong also constitute support. The Minister for Foreign Affairs, Mr Downer, represented Australia at the Hong Kong handover ceremonies and visited Hong Kong in October 1997 for the East Asia Summit of the World Economic Forum. Other Australian Ministers who have visited Hong Kong since the handover include the

Treasurer, Mr Costello; the former Minister for Employment, Education, Training and Youth Affairs, Senator Vanstone; and the Minister for Immigration and Multicultural Affairs, Mr Ruddock. The Government also continues to discuss its interests in Hong Kong with China.

**Recommendation 24:**

***24. The Government strongly pursue negotiations in all trade forums with Indonesia to open up its markets to foreign commercial presence and service imports.***

**Response**

Agreed

**Comments**

The Australian Government actively pursues market access opportunities bilaterally, regionally and multilaterally. Australia is now well represented in most major service industries in Indonesia, including banking, legal and professional services such as accounting. A major market access priority for Australia over the next two years, as outlined in the Trade Outcomes and Objectives Statement, is improving awareness of, and access for, Australian services exports in Indonesia by enhancing access in professional/business and consultancy services.

Indonesia's 1996 APEC Individual Action Plan (IAP) was disappointing in relation to its coverage of trade in services. It included specific commitments to liberalise the energy and tourism sectors but made only a general commitment to relax restrictions in telecommunications, industrial, financial, maritime transport and tourism services in the long term. The Government will be using IAP consultations and bilateral representations throughout the year to urge Indonesia to improve its commitments to liberalise services markets in its 1997 IAP. The Australian Government will be asking Indonesia to address all service sectors and to make more specific liberalisation commitments in areas of interest to Australian exporters such as professional, financial, telecommunications and maritime services.

The WTO negotiations on telecommunications concluded in February 1997. Indonesia made commitments on its existing policy as a base for future liberalisation. The negotiations on financial services offer further opportunity to pursue Australia's market access issues. The WTO Working Party on Professional Services is due to conclude its work on accountancy services by the end of 1997 and this should also facilitate market access into Indonesia. The next broad-based round of multilateral services negotiations is due to begin by 2000 and Australia is playing an active role in the lead-up to that round.

**Recommendation 25:**

***25. The Department of Foreign Affairs and Trade, Austrade and the Department of Industry, Science and Tourism give a high priority to activities designed to open up its markets to foreign commercial presence and service imports.***

**Response**

Agreed in principle

## Comments

The Government is actively engaged in activities to promote Australia to foreign companies as a place in which to invest and to do business, as well as from which they can service the region. The main vehicle for this promotional activity is the Investment Promotion and Facilitation Program (IPFP) which is run in partnership by Austrade and DIST. In the 1996-97 Budget, the Government extended the IPFP for a further four years with total funding of \$33 million. The IPFP funds a component of the Austrade network which includes dedicated investment specialists in twelve overseas locations supported by staff in Sydney and Melbourne.

DFAT Heads of Mission are also involved in the promotion of Australia as an investment destination. The Department more generally has a number of programs including the Special Visits Program (SVPs) and the Media Liaisons Visits Program which help to highlight opportunities available in Australia. The Government will also pay due regard to these issues in developing its response to the Mortimer Report.

### Recommendation 26:

*26. The Treasury and the Department of Employment, Education, Training and Youth Affairs confirm whether there are significant inequities in allowances for students studying in Australia under World Bank funded projects and if so established, approach the World Bank with a view to redressing this situation.*

### Response

Agreed in principle

### Comments

DEETYA has established there has been one case of significant underestimation of living allowance requirements for students from Indonesia studying in Australia who were funded by the World Bank. DEETYA has raised the specific issue with the World Bank, and will raise similar issues on a case-by-case basis.

The students participating in a Bank-financed program are sponsored by the borrowing government or a participating public agency. The amount of financial support is based generally on a schedule fixed by the sponsoring agency. The total package of financial assistance provided by an agency to students will depend in part on the nature and duration of the course; the personal situation of the student (including the number of dependants); and the location of the course and related costs for tuition and accommodation. In some instances, the amount may also reflect the seniority and position of the student.

Inevitably, different agencies have different schemes and programs of support. There may, therefore, be instances where different levels of financial support are provided to students from a particular country (who are sponsored by different agencies).

The World Bank's primary concern is that the financial support being provided to students is adequate for them to study and live modestly, including any support needed for dependants. Should the financial assistance being provided under Bank-financed projects prove to be inadequate and result in hardship for the students concerned, the Bank is able to reassess the provisions and work with the borrowing agency to ensure that adequate levels are provided.

**Recommendation 27:**

***27. The Department of Employment, Education, Training and Youth Affairs, in consultation with industry bodies, examine current provision of educational advice to overseas posts with a view to avoiding duplication of effort and simplifying the process for prospective students.***

**Response**

Agreed in principle

**Comments**

The AIEF was established to avoid duplication of effort and to simplify the process for prospective students. It has established generic marketing services including the provision of information to students through a number of sources including Australian Education Centres (AEC's), overseas missions, education agents, reference sites (including internet) and various publications.

Each year thousands of students from different countries access information on a variety of Australian education and training courses. The AIEF has established mechanisms to ensure consistent high quality advice and provision of information by the AEC shopfronts, overseas missions and others involved in international education and training. This enables students to make informed decisions on education and training in Australia.

The AIEF mechanism has been recently reviewed and the Government is finalising its response to the review.

**Recommendation 28:**

***28. Australia offer to assist Indonesia to adopt internationally recognised commercial law standards, business standards and practices that will maintain the confidence of overseas investors.***

**Response**

Agreed in principle

**Comments**

Australia has been actively developing and promoting cooperation in law and legal services. Indonesia has been a major focus for the International Legal Services Advisory Committee, which operates under the auspice of the Attorney-General's Department. These activities will be continued.

**Recommendation 29:**

***29. Austrade and the Department of Health and Family Services consider ways in which medical services and health education services can focus on the needs of markets like Indonesia to improve the understanding of the high quality of medical services available in Australia.***

## **Response**

Agreed in principle

## **Comments**

Healthcare services (and associated products and services) are among the targeted industry programs executed at Austrade's Indonesian offices.

An Asian health industry team exists, composed of industry specialists in each of Australia's South East Asian offices, to facilitate opportunities in the emerging health care export and investment sector in the region. Major Opportunity Coordinators in Australia work closely with all major companies to bring together what is a very diverse supply side in Australia. A number of major projects are pursued under the health industry strategy in Indonesia and one recent success was identifying and supporting a private hospital project in Surabaya for an Australian healthcare company, the first ever Australian owned and managed private hospital in Indonesia.

Since 1994, the Department of Health and Family Services has given priority to the development of the Indonesian market through, inter alia, the inclusion of health on the bilateral economic agenda for the Australia-Indonesia Ministerial Forum, the development of a comprehensive action plan under the bilateral Memorandum of Understanding (MOU) on health cooperation and the partnering of industry in market promotion and high level liaison at government level.

An important element of the Action Plan is that it will extend collaboration beyond government-to-government activity to draw in the private sector, and implementation should draw in wider sources of funding, including from the multilateral banks. This was highlighted in the communique issued after the Ministerial Forum meeting in October 1996 which stated that "Ministers encouraged future private health sector involvement in the development of the ongoing relationship..... Ministers had a view that opportunities offered through the World Bank, Asian Development Bank and other financial institutions should also be examined."

The Indonesian Focus Group, which operates under the auspices of the Australian Health Industry Development Forum with the strong support of the Department of Health and Family Services, provides an important focus for the cementing of bilateral business links in the health sector. The group is working to establish a counterpart group in Indonesia, an initiative which is receiving a strong boost through Ministerial support in both countries. The Department of Health and Family Services has worked to ensure the backing of the Indonesian Ministry of Health for the counterpart group.

### **Recommendation 30:**

***30. The Department of Immigration and Multicultural Affairs in association with the Department of Foreign Affairs and Trade, take up with Indonesia the issue of easing restrictions for Australian business people travelling and working abroad.***

## **Response**

Agreed in principle

## Comments

In addition to bilateral approaches, the Department of Foreign Affairs and Trade and the Department of Immigration and Multicultural Affairs will be discussing with the Indonesian Government possible participation by Indonesia in the APEC Business Travel Card (see response to Recommendation 7).

The Government accepts the need to pursue this matter further in the context of strengthening economic links with Indonesia. Recent reforms to the temporary business entry arrangements in Australia provide a basis for progressing this matter, particularly through APEC forums dealing directly with business mobility or with trade and investment.

### Recommendation 31:

*31. The Department of Foreign Affairs and Trade and Austrade ensure that they have the most up-to-date information on Indonesia regulations, their application and enforcement as they affect service exporters, and actively disseminate that information available to service exporters.*

## Response

Agreed in principle

## Comments

A number of APEC initiatives have contributed to improving the availability and transparency of information on the trade, investment and domestic regulatory regimes of APEC members, including Indonesia. Much of this is relevant to Australian service exporters to Indonesia and is readily available through the Department of Foreign Affairs and Trade or directly from the APEC Secretariat in Singapore (or via the Internet). Relevant publications include the *APEC Investment Guidebook*, *Deregulation and Liberalisation Initiatives of APEC Member Economies*, and the *APEC Government Procurement Homepage*. A detailed compendium on the arbitration and dispute mediation services available in APEC member economies is being prepared and this might also be of interest to Australian service exporters. Earlier this year, the International Legal Services Advisory Committee (ILSAC), in the Attorney General's Department, published the "Australia Indonesian Contract Management and Dispute Avoidance and Resolution Handbook".

In addition, Austrade provides client specific advice to Australian service companies wishing to enter the Indonesian market, including undertaking market research projects on their behalf. Almost without exception, market research would include advice on regulations, and their application and enforcement as they affect service exporters.

Austrade's Indonesian offices maintain a strong network of alliances with (Australian) services providers in Indonesia (for example, lawyers, banks and accountants) who can help service companies establish operations in Indonesia (for example, obtain licenses and comply with relevant laws).

Austrade's free Business Briefs provide information to companies on market specific issues, including establishing a presence in the market.

**Recommendation 32:**

**32. Australia encourage the Indonesian government to accept and adopt international standards (ISO).**

**Response**

Agreed in principle

**Comments**

Australia is working actively through APEC to encourage alignment of members' standards with relevant international standards. Alignment of national standards with international standards is a key element of APEC's work on standards, focusing initially on a number of priority areas to be aligned by 2000/2005. APEC members will contribute to work to develop international standards for building and construction materials as a precursor to aligning their standards with these international standards. This is an area of work that is likely to be of interest to Australian service providers.

Professional standards or qualifications (which are not covered by ISO standards) can also be a significant impediment to trade in services. APEC's Human Resource Development Working Group has begun work on a "Mutual Recognition of Qualifications Project" with a particular focus on engineers. Australia will also encourage the recently established APEC Group on Services to identify ways that it can address the issue of professional qualifications.

Indonesia is an active participant in a number of ISO and IEC activities, including ISO 9000 (quality management systems), ISO 14000 (environmental management systems), wood and particle board, steel, petroleum, rubber, offshore structures, ceramics, agricultural food products and essential oils.