



The National Institute of Accountants

Submission to the Joint Standing Committee on Treaties, Parliament of Australia on the ASEAN-Australia-New Zealand Free Trade Area

April 2009



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The National Institute of Accountants

The National Institute of Accountants (NIA) welcomes the opportunity to make this submission to the Parliamentary Joint Standing Committee on Treaties regarding the ASEAN-Australia-New Zealand Free Trade Area.

The NIA is one of the three recognised professional accounting bodies in Australia, representing over 20,000 accountants, business advisers, academics and students throughout Australia and internationally. The NIA was first established in 1923 and is the second oldest professional association in Australia. The NIA prides itself in not only representing the interests of its members but also the accounting profession in general as well as the public interest more broadly. Being a full member of the International Federation of Accountants (IFAC), the NIA is dedicated to promoting the development of the industry and profession. Members of the NIA work in all fields of accounting including in private practice, government, industry and academia. The NIA is actively involved in setting and enforcing professional standards and in reviewing and commenting on legislation at all levels. As a professional accounting body the NIA's key roles include:

- offering post-graduate study in accounting through the Professional Education Program – a Master of Commerce (Professional Accounting) from the University of New England;
- conducting quality reviews of members in public practice, instigating investigations and where necessary discipline against members who have breached the NIA's professional and ethical requirements;
- offering Continuing Professional Education for all members (and non-members);
- providing members with information about legislative, regulatory and other changes that are affecting or may affect them;
- advocating on behalf of members and the profession as a whole, on issues of national importance;
- liaising with regulatory bodies on issues affecting members, particularly in the areas of taxation, superannuation, financial services, *Corporations Law* and accounting and auditing standards;
- setting and enforcing professional and ethical standards; and
- promoting issues of importance in the accounting profession.

For more information on the NIA please visit our website: www.nia.org.au

Our submission is made from both the perspective of our members and with regard to matters which affect the public interest.

If you have any queries or require further information with respect to our submission then please don't hesitate to contact Jane Gao on either (03) 8665 3147 or jane.gao@nia.org.au.



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Introduction

The NIA supports the entry into force of the Association of Southeast Asian Nations (ASEAN)-Australia-New Zealand Free Trade Area (AANZFTA) and believes it makes great progress towards removing some of the barriers for Australian accounting professionals to operate in ASEAN markets. It will deliver significant benefits to financial services providers and will facilitate them to explore business opportunities in the region in the long-term.



Barriers

As stated in *Regulation impact statement: ASEAN-Australia-New Zealand Free Trade Area*: 'services sectors in ASEAN member countries generally contain significant barriers to foreign participation. Regulation is often fragmented (and poorly coordinated) across a number of government agencies and entry to the market may be either prohibited, constrained by limits on foreign equity participation or joint venture requirements, or depend heavily on the exercise of discretionary powers by Ministers or officials. Decision making is often characterized by a lack of both transparency and predictability.'

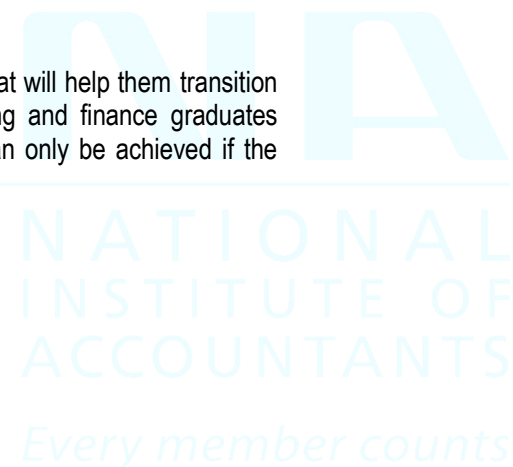
The situation is extremely serious in relation to market access and recognition of foreign accounting and financial services professionals in ASEAN states. This can be observed by the fact that while accounting and financial services make up a large portion of services in Australia, they represent only 2% of total service exports to ASEAN.

Differences in corporate structures, accounting and auditing standards and tax systems are inevitable. However, the awareness of the differences and corresponding harmonization within an acceptable scope by qualified accountants will reduce the difficulties and ensure a smooth transformation of financial information between relevant parties. Many of the accounting and finance graduates in Australia are from ASEAN countries or have direct links to them and the study of international accounting standards is vital to any future career in accounting. Australian graduates are well placed to understand the issues and regulatory environment affecting companies in ASEAN States.

With increasing trade between Australia and ASEAN States, accounting professionals who are familiar with international accounting standards and relevant legislation are in demand.

The Global Financial Crisis has shown that economies are very interlinked and the requirement for highly qualified accounting and finance professionals who can help companies deal with issues on an international, rather than just domestic front are needed.

Nations can no longer think solely on a national basis, they need solutions that will help them transition to transparent, open economic markets. It is therefore vital that accounting and finance graduates across the region are able to work together and share knowledge. This can only be achieved if the barriers to entry, both covert and overt, are relaxed or removed.



Recommendation on Implementation of the AANZFTA

A smooth implementation of the AANZFTA and capitalization of the benefits for Australian accounting professionals and financial services providers are the key issues needing to be addressed by the Australian and New Zealand Governments. The following measures are recommended:

Work Program of Economic Cooperation Projects

The Government should make full use of the agreed work program of economic cooperation projects in the AANZFTA.

According to *Regulation impact statement: ASEAN-Australia-New Zealand Free Trade Area*: the final AANZFTA package consists of an 'implementing arrangement' containing an agreed work program of economic cooperation projects which covers services. The work program will be implemented over five years after entry into force of AANZFTA and is estimated to cost in the range of \$20-25 million. The funding will be borne largely by Australia and New Zealand, with 'in kind' contributions from ASEAN member states. It is in addition to Australia's ongoing economic cooperation assistance to ASEAN and complements the ASEAN Australia Development Cooperation Program Phase II (\$57 million 2008-2015).

As a major financial contributor to the work program, Australia should make full use of the function of the work program, as it 'provides flexibility for emerging and changing priorities of parties to the FTA to be addressed through an annual planning process'.

The Government should work with relevant professional organizations to develop a series of work program on negotiation procedures that suit respective ASEAN States related to professional qualification recognition. By way of example, the Government should engage with the three recognized professional accounting bodies, i.e. the National Institute of Accountants (NIA), CPA Australia and the Institute of Chartered Accountants in Australia (ICAA) to develop a work program on recognition negotiation of accounting professional qualifications. The Government should monitor and adjust the implementation of the work program with respective ASEAN member states to meet the changes and emerging issues under regular consultation with the three professional bodies.

Currently, recognition is on an ad-hoc, professional body to professional body basis, which is less than efficient. By working through the processes available under the work program, a more comprehensive system can be developed.

Governments' Direct Involvement in the Negotiation

Relevant government authorities and agencies in the respective countries should be directly involved in the recognition negotiations on professional qualifications between the recognised professional accounting bodies in the respective countries, including:

- updated information on prescribed professional qualifications recognized by the Australian Government according to the legislation both at federal and state level;

At present, some professional organizations have entered into recognition arrangements with some regulatory authorities/organisation in ASEAN States. This leads to many equally qualified

professionals who are members of prescribed organizations being unfairly excluded from such arrangements.

In order to ensure equality of access to appropriately qualified professionals, the Government should encourage and proactively support competent bodies to enter into negotiation for arrangements on recognition of professional qualifications.

- The Government should initiate the negotiation between the recognised accounting bodies in the country and a delegation (NIA, CPA Australia and ICAA) from Australia;
- Different strategies, procedures and review policies of enforcement of AANZFTA with each party should be developed taking into consideration the different development status and economic scales of respective ASEAN states.

According to *ANNEX 3: Schedules of Specific Services Commitments*, limitations on market access and national treatment regarding accounting and financial services in respective ASEAN states are different. Therefore, measures and progress of recognition negotiations with respective ASEAN member States should be tailored accordingly in order to achieve expected outcomes.

- Set up schedules and an implementation plan for recognition negotiation as part of the work program of economic cooperation projects.
- Work with relevant parties, including self-regulators of the relevant industry from respective ASEAN states to regularly review the implementation of the AANZFTA.

AANZFTA and Other FTAs

ASEAN currently has trade agreements with China (goods and services), the Republic of Korea (goods and services), Japan (goods) and is close to signing a goods agreement with India.

According to *Article 7: Consultations on Most-Favoured-Nation Treatment, Chapter 8: Trade in Services in the AANZFTA*:

1. Subject to Paragraph 2, if, after this Agreement enters into force, a Party enters into any agreement on trade in services with a non-Party in which it provides treatment to services or services suppliers of that non-Party more favourable than it accords to like services or services suppliers of other Parties under this Agreement, any other Party may request consultations to discuss the possibility of extending, under this Agreement, treatment no less favourable than that provided under the agreement with the non-Party. The requested Party shall enter into consultations with the requesting Party bearing in mind the overall balance of benefits. The requesting Party shall notify all the other Parties of their request for consultations under this Paragraph.
2. No party shall be obliged to apply Paragraph 1 with respect to treatment provided under any bilateral or pluri-lateral agreement between an individual ASEAN Member State, or individual ASEAN Member States, and non-Parties or Australia or New Zealand.

The Government should use the AANZFTA to as leverage in for FTA negotiations with other major economies in the region, including China and Japan.

Strategies for Emerging Issues

With increasing integration of the global/regional economy, it is necessary to develop strategies to deal with emerging issues in the work program of economic cooperation projects in the AANZFTA.

For instance, due to the global financial crisis, widespread corporate re-regulation is being predicted. This is being seen in the banking sector. Smaller finance institutions may also become subject to globally consistent rules, but oversight is provided on a domestic basis. Such measures will directly affect parties of the AANZFTA in respect of market access and recognition. Appropriate strategies and procedures should be developed to cope with such dynamism.

Establish Australia as a Financial Services Hub in the Region

The Australian Government has set a policy objective of developing Australia into a regional financial services hub. There are many advantages to this, and the NIA strongly supports this intent for a range of reasons:

- Highly skilled workforce;
- World class education and training system;
- Reputable accounting professional bodies recognised by the Government (NIA, CPA Australia and ICAA) provide high quality education for the accounting profession;
- Adopting the International Financial Reporting Standards (IFRS) at an early stage compared with other States in the region and have accumulated relevant experience;
- Compared with the UK and USA, Australia has the benefit of geo-proximity; this includes relative time-zone consistency.

Australia should capitalize on the AANZFTA to assist in the achievement of this policy objective.



Conclusion

The NIA welcomes the entry into force of the AANZFTA. The NIA is willing to provide support to the Government to facilitate the implementation of the AANZFTA.

Australia is well placed to take advantage of the AANZFTA particularly through the implementation of services commitments as contained in the States schedules. This will benefit not only Australia, but also the ASEAN nations as they develop more integrated professional services sectors in their economies and are faced with a more multi-lateral regulatory regime in relation to financial services.



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