

COMMITTEES: Foreign Affairs, Defence and Trade Committee: Report

Mr SINCLAIR (New England) (1.05 p.m.) —On behalf of the Parliamentary Joint Standing Committee on Foreign Affairs, Defence and Trade, I present the committee's report, incorporating dissenting reports, entitled *The implications of Australia's Services Exports to Indonesia and Hong Kong*, together with the minutes of proceedings and evidence received by the committee.

Ordered that the report be printed.

Mr SINCLAIR —by leave—The report refers to one of the more exciting of all those areas of the Australian economy in our interrelationship with other countries. The services area is one which obviously has been expanding both domestically and in our export trade, and it is one which has become more notable as time and circumstance vary.

The definition of services was a matter of some conflict. In the report we have referred to some of the alternative ways by which it can be identified. The ABS identifies services as: . . . everything other than goods, income and unrequited transfers—according to the international statistical standards. It is very much a residual category. We do not try to identify any services that might be bundled in with goods; they are covered in our merchandise trade statistics.

It is the ABS definition that this report essentially relates to. The real problem we found, however, in preparing the report was the lack of information and the degree to which we found it hard to identify where and in what direction statistics were available to look at the whole array of service exports. The first four recommendations of the committee specifically identify what we see as a requirement. The report states:

The Committee recommends that:

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.
2. the Australian Bureau of Statistics continue in its efforts to ensure that service sector data is brought into line with that of the manufacturing, mining and agricultural sectors.
3. the Australian Bureau of Statistics budget be adjusted to enable this to occur.
4. all government departments consider the extent to which relevant service statistics can be collected and published.

For example, relevant service statistics can be collected in the field of law, where there are many legal firms operating abroad; in the field of health, where we know that there are many health services provided; in the field of education and so on. To the degree to which each of the departments with specific areas of interest can provide data, it would be a great help in trying to identify not only what is happening but something of the future in that area.

The rapidity of the growth in service exports is again apparent from tables that have been prepared. In spite of the lack of specific information and although I am about to quote from some of those, there is a problem because in so many areas the data is embedded in statistics for other factors. For example, in [start page 8579] major corporations, one cannot be sure when they are talking about trade in a particular commodity—for example, coal, iron ore or any of the other base metals—whether the service component has been included within that or whether they are separately identified. Certainly, in the figures available, we are relying on only the bald data so far as we are able to establish it.

To give members an idea, according to the ABS, Australia's exports in services have risen from \$5,836 million in 1984-85 to \$20,373 million in 1994-95. So there has been an incredible increase in the volume of exports and that has more than offset the level of increase in imports. It means that service exports are at this stage contributing significantly to offset

our balance of payments problem. In the report there are a good many other details, so far as we have been able to acquire them, looking at the data and identifying something of the measure to which services contribute to the whole field of the Australian trade pattern.

The report also looked at a range of countries. We decided that, in identifying Australian service exports, it would not be possible for us to deal with them in general, so we picked two economies: Hong Kong, which we saw as a fairly sophisticated and advanced economy, and Indonesia, which is a rapidly developing country. Even in the statistics which reflect both of those countries, again the increase in the value of Australia's service exports to them has been quite remarkable.

There are, inevitably, problems in competition. In trying to identify these service exports, we have looked at some of the impediments as well as some of the advantages. Chapter 3, for example, looks at the taxation element. There is little doubt that, when one looks at the complexity of the problems of tax, part of the problem still lies in the extent to which compliance costs do impose a burden on those involved in export.

Our fifth recommendation picks up some of the problems that exporters have seen in terms of the compliance costs and recommends that the Australian Taxation Office should 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.

One of the difficulties has really been inadequate knowledge of international tax law. Again, in the information and evidence given, we felt that more needs to be done to ensure that there is a better understanding of the complexities of international tax law. We see this as one of the areas where, no doubt, there is need in the business and academic world to advance knowledge beyond that which is presently available. The committee believes that an understanding of all tax issues involved in the export of services is important in any analysis of that service trade contribution to the Australian economy. Of course, it is even more important for those who seek to become involved in the export of services.

In relation to other impediments, advantages and disadvantages, we have analysed everything from telecommunications to problems in transport and in visas. In that respect, the committee has drawn on the recommendations that have flowed from the most recent Philippine discussions where there has been a new type of business visa settled between the Philippines, Korea and Australia. They call it the APEC business travel card.

I think the APEC business travel card is a wonderful concept if we can develop that with other countries. Although this report relates to Hong Kong and to Indonesia, the business travel card, which is based on an agreement with Korea and the Philippines, is a very good way by which travel between these countries in this region can be facilitated in future.

I want to pay particular attention to that section of the report relating to evidence received from Mr Norman Fisher of Australian TAFE International. There is little doubt that there are wonderful opportunities not just at the tertiary level but also at the TAFE level for providing an educational input into countries in our region. We found, particularly in the Indonesia and Hong Kong areas, there is enormous potential and great opportunity for Australia.

One of the difficulties in service exports is the extent to which finance is available. Quite a number of exporters mentioned the problems of finance. The report has dealt with that, identified some of the problems and made some recommendations. In all, the report has 32 recommendations. We have looked at both the general and the particular.

As I remarked, the report does concentrate on both Hong Kong and Indonesia. As far as Hong Kong is concerned, I think we need to understand that, with the change in sovereignty in its passage to China as of 1 July 1997, the pattern of trade with Hong Kong may well change.

We identified a number of factors that have given us a competitive advantage in the past: English language, close proximity, the same time zone, recognition of a good overall standard if not a world leader in quality and a safe destination.

All those advantages for Australia in its trade with Hong Kong will remain after 1 July next year, but the problem is that it is possible that, with the introduction of Mandarin as the language of government, some of the English language advantage of the past may go. We have looked at some of the problems that there are for the future, identified them and made recommendations with respect to them.

We know that there has been quite a degree of discussion between the British government and the Chinese government on the basic law. The committee has made a number of observations of our hope that, in the changes after 1 July, Australia will maintain a high profile in ensuring that the principles of the joint declaration and the basic law are upheld in Hong Kong to enable trade and investment to continue with confidence. We see that as one of the question marks after 1 July if change is implemented.

With Indonesia there are wonderful opportunities. Again, the data is in the report. We have made a number of recommendations regarding the opening of markets there. We have certainly recognised that there are a number of problems in the way in which the law and the identification of practices within Indonesia complicate dealing with that country. We have also set down in paragraph 6.66 on page 118 of the report a number of factors which we believe will contribute to the success of exporters in the Indonesian market. To those interested in trading with Indonesia, I would commend those points to them.

The committee concludes that, although Australia is a small player in the large and expanding Indonesian service market, there are certainly great opportunities in the Indonesian market for us. Entry into the market is difficult, and the raft of regulations and licences, costs and cultural and business nuances to be dealt with should not be underestimated. The impact of these regulatory restrictions can clearly be contrasted with those in Hong Kong. No evidence was presented to the committee to suggest the current activities of the Indonesian government, in revising and updating its regulatory framework, are leading to more formalised nor more restricted market access conditions. In fact, some businesses consider life is easier as the systems are developed to a higher level of sophistication.

I believe the report does contribute quite significantly to a better understanding of the wonderful opportunities there are for Australia's services exporters. It is a report which began in the Trade Subcommittee of the Joint Committee of Foreign Affairs, Defence and Trade under the chairmanship of Michael Duffy, and I would like to commend him on the work he undertook in the early days of the inquiry.

At that stage Bev Forbes was the secretary to the committee and she did much of the writing of the original report. I would like to extend my thanks to the other members of the Trade Subcommittee and, of course, to the staff of JFADT—in particular, Ms Joanne Towner, who is the secretary to the whole committee; Jane Vincent, who has been the secretary to the subcommittee; Elena Hull; Adrian Kirchner; and, of course, Bev Forbes. In the last few months, in spite of her commitment to other committees, Bev has made herself available to ensure that the report is available for members of the House and for others so that it can be a reference point.

The one final thing I would say is that change is so rapid in this field. We found in the course of the preparation of the report that almost daily there are new developments. While one tries to maintain some currency in comments made, it is extraordinarily difficult to do so; more so given the changing status in Hong Kong and, of course, the rapid evolution of our near neighbour Indonesia. I commend the report to the House. I believe there is much in the report which will serve to help those who seek to export there. I move:

That the House take note of the report.

I seek leave to continue my remarks later.

Leave granted; debate adjourned.