AUSTRALIA'S JOBS FUTURE

The rise of Asia and the services opportunity

Research and analysis for this report was
provided by the consulting firm ITS Global

Australian Government
Department of Industry and Science

The Myer
Foundation

Asialink Business is supported by the Commonwealth Government Department of Industry and Science and The Myer Foundation.

Contents


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Partners' introduction

This report demonstrates that by 2030, services can become Australia's number one export to Asia in terms of total value added, in the process supporting a million Australian jobs. This can be achieved by closing just half of the gap between our level of services engagement with our Asian regional neighbours and our traditional Western trading partners.

These jobs can be generated through increases in direct exports of services from Australia, expansion of offshore operations by Australian services businesses, and services industries supporting growth in Australian exports of goods.

Goods, particularly resources and agricultural products, will continue to be the cornerstone of Australian exports. Exports of services will, however, play a growing role in generating jobs and wealth, complementing those cornerstone industries.

As the Minister for Trade and Investment, The Hon Andrew Robb AO MP, has remarked, the services opportunities created by the recent trade agreements with China, Japan and South Korea are "transformational".

Transport, finance, information technology and engineering services firms will expand the supply of specialised capabilities to export-oriented businesses. The urbanisation and modernisation of Asian economies will also create opportunities and jobs for Australian businesses supplying services directly from Australia, for example in financial services, education, business services, transport and health. Inbound tourism has been an important industry for Australia and will continue to grow.

We will also need to increase the offshore presence of Australian businesses to be close to our future customers and provide links between Australia and the region. Today, the contribution of offshore Australian businesses to the economy is not reported in export statistics, but it will assume a growing importance.

Our direct services trade with Asia and regional offshore presence are relatively nascent. Newly finalised free trade agreements, the further trade negotiations now under way, and the liberalisation of Asia's economies will create new market opportunities, but more can be done to realise the opportunity.

An immense prize awaits Australia with the growth that is occurring on our doorstep. We believe that with a better understanding of the role of services, a sharper focus by business on the opportunity, and a supportive public policy environment, we can realise that prize. This report provides practical recommendations for Australia to position itself as a key services provider to Asia.

We are proud to have brought together the unique strengths of Asialink Business, PwC and ANZ in this report, which we hope plays an important part in the public debate on how Australia can best ensure its future prosperity and make the most of this century's "Asia Opportunity".

Mr Michael Smith, OBE
Chief Executive Officer
ANZ Banking Group

Mr Luke Sayers
Chief Executive Officer
PwC Australia

Mr Mukund Narayanamurti
Chief Executive Officer
Asialink Business

Australia's services sector is positioned to underpin future job growth in Australia by increasing its engagement in international trade – expanding exports of services, enhancing the competitiveness of goods exporters, and expanding the offshore operations of Australian services businesses.

Australia's services sector is the largest contributor to the Australian economy. These industries employ almost nine out of ten Australians, selling high quality services in Australia and exporting them abroad.

41%

Australia's trade secret: its biggest export is services. Services account for 41 per cent of Australia's export earnings when measured in terms of total value-added, compared to 37 per cent for mining, and 23 per cent collectively for agriculture and manufacturing.

$ 138b

In addition to these impressive figures, sales of services by foreign affiliates of Australian companies were estimated at $138 billion in 2013, providing an important source of income and employment benefits for Australia.

3.2b

Demand in Asian economies for services will expand with the burgeoning middle class – from around 500 million today to 3.2 billion people by 2030.

This transformation presents growing opportunities for Australian services firms, and services exports to the region. It could support a million Australian jobs by 2030, a more than 50 per cent increase from 2013.

Australia can act now to capitalise on this growing demand for world-class services.

Executive summary

Services, jobs and exports

Asia continues to be the growth engine of the global economy, with the region's middle class expected to grow from around 500 million today to 3.2 billion in 2030. This growth on our doorstep represents an exceptional opportunity for Australia. Today, Australia's trade with the Asian region is weighted towards commodities, while our engagement with historical trading partners such as the United States and United Kingdom is weighted toward services.

In order to make the most of Asia's ongoing economic transformation, Australia should seek to increase its exports of services to the region to match the level of business engagement we have achieved in our traditional Western markets. Fully realising the potential of our services trade with Asia requires a strong business focus, supportive policy environment both here in Australia and abroad, and increased understanding of the role and importance of services.

Australia's services sector is the foundation of our economy. It contributes almost three quarters of GDP and employs 87 per cent of Australia's workforce in fields as diverse as health, banking, transport, telecommunications, property, tourism and education. Indeed, highlighting the sophisticated nature of Australia's services sector, 10 of the ASX's top 20 corporations are services companies.

Services have been responsible for the vast bulk of new jobs in Australia over the past decade. Australia's services industries have created 2.9 million new jobs since 2000, more than offsetting a collective reduction of 256,000 agriculture and manufacturing jobs, with employment in the resources sector increasing by 165,000 during this same period. Services sectors grow in modern economies essentially because of specialisation and growth in productivity. Businesses find it more productive to focus on their core business and contract in financial, transport and other services needed to produce their final product. The growth of services is not a substitute for the growth of manufacturing, agriculture or resources, rather it is a valuable complement and support mechanism for those industries as well as a provider of services to the community.

As well as accounting for the lion's share of GDP and employment growth, Australian services – led by financial, transport, education and professional services – have delivered substantial export earnings. Taking into account the earnings from direct service exports and the value added by services supplied to other export industries, the services sector generated $112 billion in value-added export earnings[1] in 2013, supporting 1.1 million Australian jobs. By comparison, mining exports were worth $101 billion and supported 227,000 jobs. Indeed, Australia's largest export category is not agriculture, manufacturing nor mining; it is the services sector.

These impressive export figures do not include the growing value of services sold by overseas branches of Australian companies. In 2013 these sales totalled more than $138 billion. As Australia's banks, construction companies and universities expand their presence abroad, these revenues and the benefits they bring back to Australia – including more jobs and greater productivity – are tipped to continue rising. Importantly, international research shows that foreign investment generates new high-value jobs in the home economy and is a complement to – rather than a substitute for – domestic investment.

Services exports to Asia – room to grow

Services underpin Australia's export economy, but services exports to Asia and Australian income from Asian investments are underperforming relative to our traditional trading partners. Services made up 34 per cent of Australia's exports to Asia, compared to 54 per cent of exports to the rest of the world.

The performance gap can principally be attributed to the lower stage of economic development in key Asian trading partners (where services contribute less to economic growth than in developed economies), and the barriers to foreign service providers in these economies. Research also suggests the Asia-capabilities of Australia's workforce are underdeveloped. Even so, Australia's services exports to Asia in 2013 were worth $69 billion, and were surpassed only by exports from the mining sector, which totalled $89 billion.

Asia's hunger for resources is expected to moderate as the region develops. In 2014, Chinese demand for iron ore fell for the first time in 14 years. However, the region's industrialisation and expanding middle class are driving growing demand for world-class services, and Asian governments are already beginning to grant improved access for foreign services firms, as illustrated in the recent FTAs negotiated with China, Japan and South Korea. Future export growth will depend on Australia's ability to meet Asia's growing demand for high-quality services.

This report projects that by 2030, Australia's annual services exports to Asia could be worth $163 billion (a more than 135 per cent increase from 2013), and support more than one million jobs. In addition, sales by Asian branches of Australian services companies could grow from $14 billion in 2013 to as much as $78 billion by 2030. The services sector is on track to become Australia's number one exporter to Asia by 2030, and will support more jobs than all other exports combined.

Australia can now take advantage of this opportunity, but it will not happen automatically. Australian services firms will face stiff competition from local services industries, and from other foreign providers, and will need to ensure they are competitive.

The services sector is on track to become Australia's number one exporter to Asia by 2030, and will support more jobs than all other exports combined. Australia can now take advantage of this opportunity, but it will not happen automatically.

Meeting Asia's growing demand for world-class services

Australia can position itself as a key services provider to Asia by:

1. Ensuring the Australian marketplace is open so Australian services industries are internationally competitive.

2. Establishing an ongoing program of dialogue between business and government to identify necessary changes to regulations in foreign jurisdictions that impede access to Asian services markets.

KAFTA TPP JAEPA RCEP ChAFTA

3. Advocating for the liberalisation of international trade in services, and of foreign direct investment, to expand opportunities for Australian services firms to sell into Asia.

4. Recognising and promoting Australian offshore investment.

5. Re-assessing the way we measure the value of exports, in order to better understand which industries are generating the greatest returns from international trade.

6. Continuing to develop an Asia-capable and internationally oriented workforce.

Australia's services future

Australia's services sector accounts for the majority of national GDP, export earnings, and employment. Asia's rapid economic development presents an opportunity for the sector to help meet growing demand for world-class services, and to increase the benefits brought home to the Australian economy.

1

AUSTRALIA'S SERVICES SECTOR – THE FOUNDATION OF OUR ECONOMY

Australians are familiar with the idea that the resources sector has powered economic growth over the past decade. They are less familiar with the huge contribution of Australia's services enterprises to the national economy. This contribution has gone unrecognised for some time, at a cost; the OECD observed as far back as 2000 that, *"…the lack of attention [given by policy makers to the services sector] has undoubtedly diminished the contribution that services could be making to our economies."*[2]

That is beginning to change. This report shows how.

A diverse sector

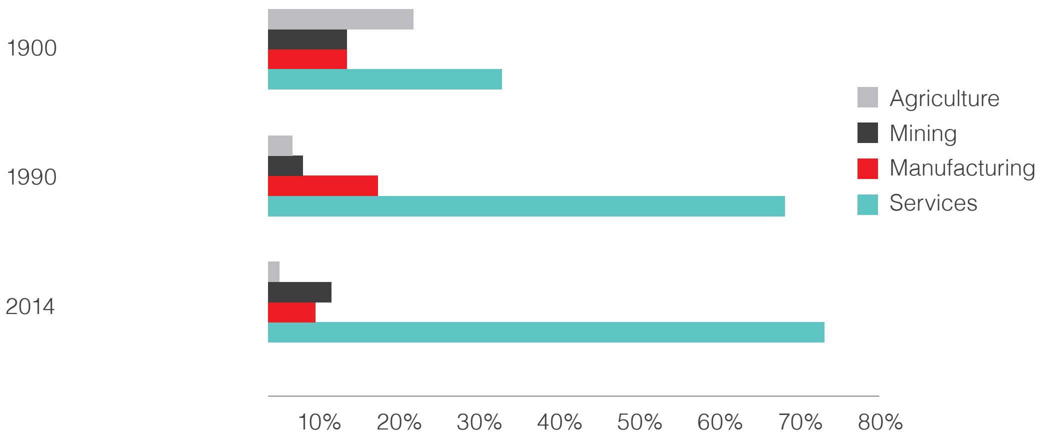
A wide range of businesses and public agencies provide services. They range from major corporations supplying telecommunications, banking, transport, education, hospitality, accommodation and health services to small businesses and individuals such as hairdressers, doctors, accountants and IT specialists.[3] The sector receives less public recognition because of its breadth and diversity compared to other more homogeneous sectors, such as mining, manufacturing and agriculture.

Contribution to the economy

Australia's services industries employ more people and contribute more to GDP than all other industries combined. The ABS estimates that the services sector now generates 72.7 per cent of Australia's GDP.[4] This figure has steadily increased since the turn of the 20th century. In 1900, services accounted for only 31 per cent of GDP (see Figure 1).[5]

Australia's services industries employ more people and contribute more to GDP than all other industries combined.

Figure 1: Contribution to Australian GDP of key industry sectors (1900-2014)



Sources: ABS 5204.0 and 1301.1

Services industries make a significant contribution to the capacity of Australia's goods sectors to make and export their products. Agricultural goods depend upon transport services to deliver them to central distribution points, the wholesale and retail services that supply them to final customers, and the marketing services that promote them. Australia's resources industries are globally competitive in strong measure thanks to the high-quality and efficient services that support them.

Services: helping drive the profitability of Australian agriculture, mining and manufacturing

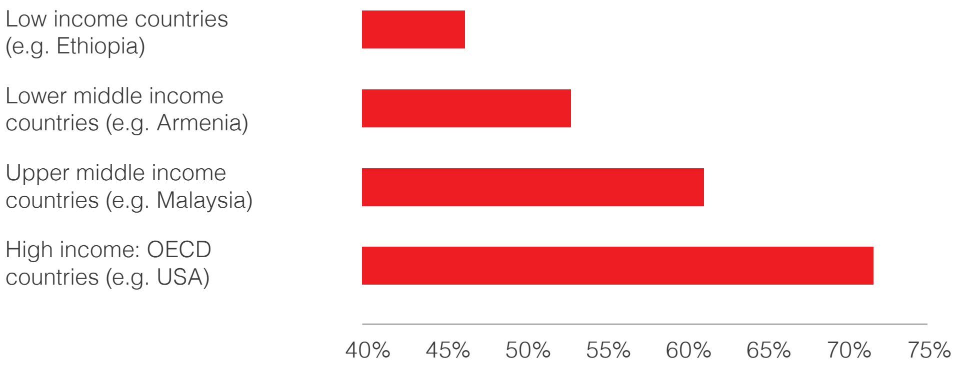
Goods companies in the 19th century were often obliged to develop in-house capacity for everything from transport and heath care, to education and training. However, as industries and the Australian economy developed, service providers began to appear, who – thanks to specialisation and economies of scale – could offer superior services for a lower cost. As a result, goods-producing companies were able to outsource many support services, reduce costs, and focus on their core business. This interdependence has allowed both goods and services sectors to grow in scale and profitability, each specialising in what it does best.

The same virtuous circle can be observed in Australia's exports of goods and services. Services exports are not a substitute for goods exports. Competitively priced services help goods exporters reduce their costs and increase their export volumes.

The size of the services sector's economic contribution today is unsurprising. The extent to which services contribute to national GDP is directly related to a country's level of economic development. Figure 2 shows that services make the largest contribution to national GDP in more economically advanced economies.[6]

This relationship is complex. Services industries both drive, and are driven by, economic growth. Consider specialised services to businesses, such as accounting, transport, design and finance. They provide high-value services to business. The result is specialisation and improvement in productivity which spurs economic growth. The higher incomes that result from this growth in turn drive demand from consumers for other services – such as travel, high-quality food, premium health care and entertainment.

Figure 2: Average contribution of services to GDP - 2011 (by World Bank Income Group)

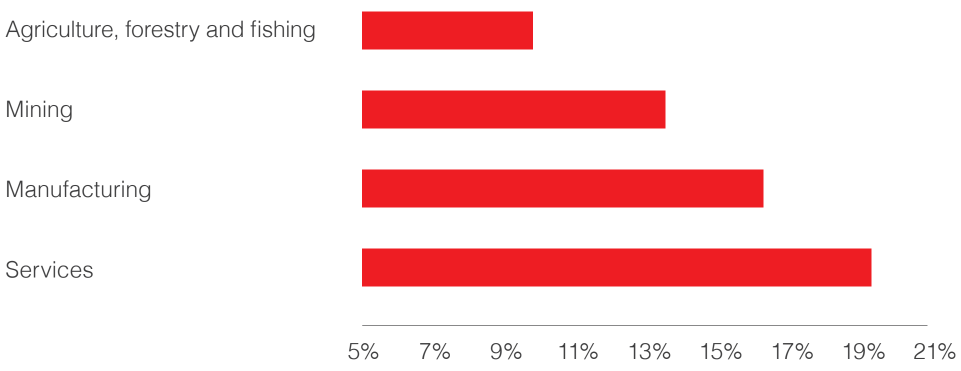


Source: World Bank Databank

The great employer

The contribution of the services sector to employment is even more important. In Australia, 10.1 million people – 87 per cent of the workforce – are employed in services jobs.[7] The sector's greater contribution to employment than to GDP is partly explained by the fact that a greater share of income generated by services industries finds its way to workers in the form of salaries, wages and superannuation (see Figure 3).[8] Compared to mining or agriculture, services are less capital and more labour intensive. Therefore, all else being equal, increases in the income earned by the services sector will result in more Australian jobs than a commensurate increase in income earned by any other sector.

Figure 3: Labour costs as a percentage of total industry income (FY2013)



Sources: ABS 81550DO001_201213 Australian Industry, 2012-13

The number of Australians employed by the services sector has grown substantially in recent decades, while employment in sectors such as manufacturing and agriculture has fallen. From 2000 to 2013, Australia shed 256,000 manufacturing and agricultural jobs. At the same time, the commodity boom resulted in an additional 165,000 mining jobs. However, this contribution was dwarfed by the services sector, which during the same period hired an additional 2.9 million people. This change is unsurprising as the capital intensity of traditional industries increases and specialised services are brought in, rather than provided in-house.

A major export

As well as accounting for the lion's share of GDP and employment, Australian services generate substantial export earnings. The following sections of this report reveal the scale of these exports, and provide recommendations on how to increase them, particularly to customers in the Asian region.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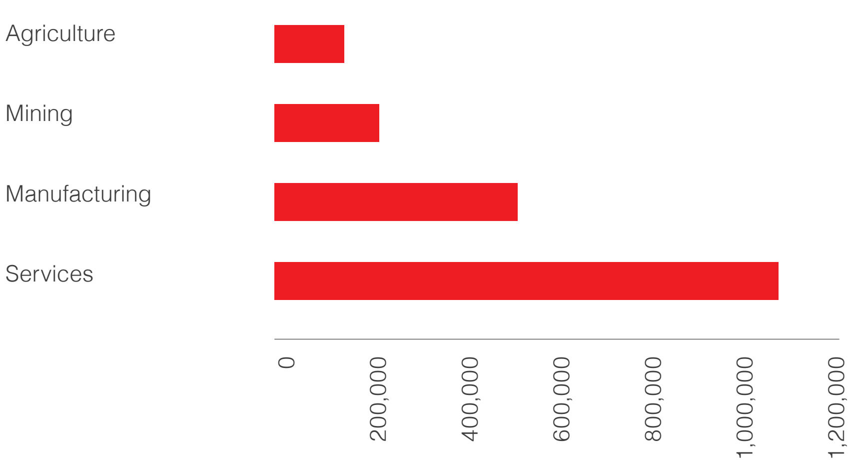
2

AUSTRALIA'S MOST IMPORTANT EXPORT

Australia's largest export category in terms of value added is the services sector. These exports deliver substantial returns to Australian companies, and to the government in the form of tax revenue. They also support Australian jobs. In 2013, Australia's services exports supported 1.1 million jobs,[9] more than all other sectors combined (see Figure 4).[10]

Few Australians realise the importance of services exports; in part because when most people think of exports, goods like coal, beef or machine parts come to mind. The limited way that exports have traditionally been recorded and measured has also contributed to this lack of recognition. Traditional trade statistics tell only part of the story, and obscure the fact that services exports support more Australian jobs than exports from other sectors.

Figure 4: Number of jobs supported by Australian exports of value added to all countries - 2013



Source: ABS 5204.0 and 6291.0.55.003, and OECD TiVA

Services are exported from Australia in three ways:

1. As direct exports: These are sales of services from Australian businesses to buyers from foreign markets. Examples include IT services provided by an Australian-based business to a foreign customer, Australian university education provided to an international student, and accommodation bought by a visiting foreign tourist.

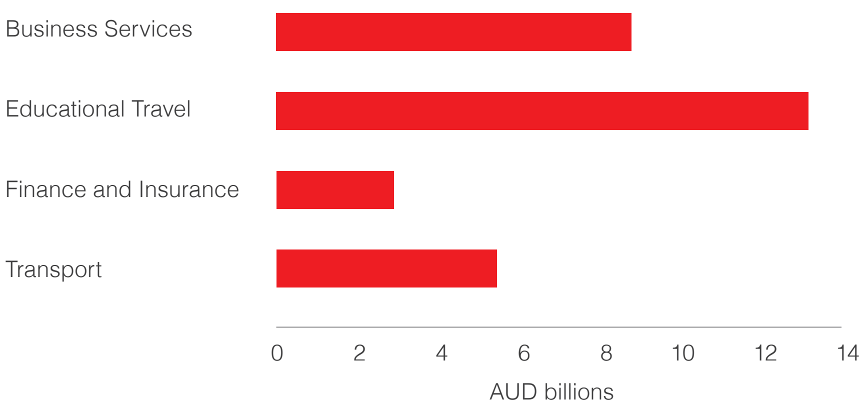
2. "Embodied" in other exports: Domestic sales of services that contribute to the value of exports of goods are "embodied" in the exported product. For example, when a rail company is contracted to move iron ore from mine to port, even though the rail company is not directly exporting anything, the value of the transport services is embodied in the total value of the exported iron ore.

3. As "foreign affiliate sales" by offshore arms of Australian businesses. This is income received by foreign arms of Australian companies, such as a branch of an Australian bank in a foreign market. The revenue received by the foreign branch constitutes a third category of exports.[11]

The value of direct exports

Traditional trade data records only the first of these three categories – direct exports of services – which earn about $50 billion per year. In terms of direct exports, Australia's top four services industries are: business services; educational travel; finance and insurance; and transport (see Figure 5).[12] However, this tells only part of the story. Measuring "value-added" – rather than direct – trade flows reveals the true scale of Australia's services exports.

Figure 5: Australia's direct exports, top four services industries (2013)



Source: Melbourne Institute of Applied Economic and Social Research

Foreign branches of Australian services companies are estimated to have generated revenues of more than $138 billion in 2013, or more than double Australia's direct services exports, which in 2013 were $55 billion.

"Trade in value-added" – a new approach to understanding who benefits from international trade

An iPhone exported from a factory in China to the US has a wholesale value of US$179. Traditional trade data records the device as a Chinese-made product and export. In fact the iPhone contributes only US$6.50 to the Chinese economy.

The phone contains components from Germany, Japan and Korea, as well as precious metals from South America, design services and intellectual property from the US, and transport services provided by a Danish firm. The value actually added in China – which consists of the cost of assembling the finished product – amounts to just 3.6 per cent of the US$179 value.[13]

Taken at face value, this method of recording exports overestimates the importance of some industries in certain countries, and underestimates the value-added by others. This can cause misunderstandings about the relative importance of different industries in different countries and misperceptions about who does what.[14]

The iPhone case, common to many manufacturing systems, shows that global trade provides benefits reaching far beyond the country and industry of export.

It has traditionally been difficult to measure these benefits, and to understand how much value is added at each step. In recent years, the Institute of Developing Economies (IDE-JETRO) – an arm of Japan's External Trade Organisation – tackled this task, and has developed a method to separate out the value added by each industry in each country. To achieve this, IDE-JETRO examines national "input-output" tables from multiple countries.[15] They reveal how much of the output of each industry sub-sector consists of inputs from other sub-sectors.

In 2011, based on analysis of these input-output tables, IDE-JETRO and the World Trade Organisation (WTO) released a joint report examining the significance of global value chains in international trade. The OECD built on the IDE-JETRO data to compile the Trade in Value-Added (TiVA) database, which was released in 2013.[16] The TiVA database harmonises national input-output tables from the world's 57 largest economies, and reveals how much value is added by each industry in each country to goods and services that are internationally traded. This provides a method to disentangle complex global value chains like the one that produces and delivers the iPhone.

The value-added approach is more informative than the traditional way of measuring trade, as it shows which industries – and which countries – are adding value to the goods and services that are exported. The increasing complexity of domestic and global supply chains provides a strong argument for using the value-added approach to measure trade. Doing so paints a very different picture of Australia's top export earners.

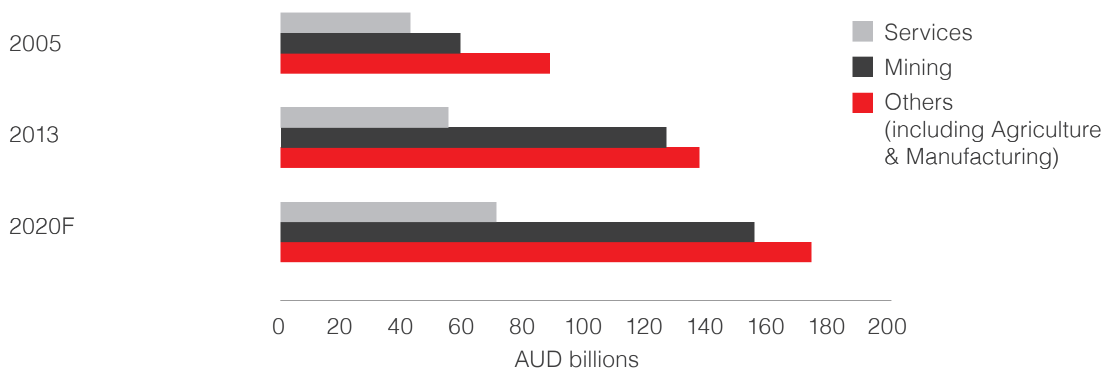
Calculating the value of services embodied in Australian exports

The iPhone example presented above demonstrates the fragmentation and specialisation of modern value chains. The same phenomenon can be observed in Australia, on a domestic scale. Australia's traditional exports of mining, agricultural and manufactured goods contain significant value that is added by services industries. This is described in the OECD TiVA Database as "embodied services" value.

For example, Australia's mining companies require technical, transport and business services, which are provided by services companies, in order to produce and export their commodities. The services become ingredients in the goods that are exported. OECD data from 2009 shows that 18.26 per cent of the value of Australia's mining exports consists of embodied value added by Australian services companies. This amounts to US$13.4 billion in Australian services export earnings that are not currently recognised in official trade statistics.[17]

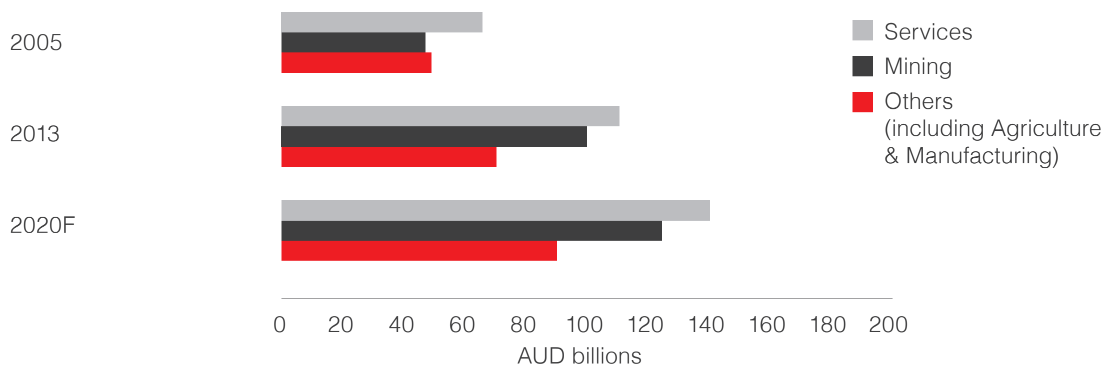
In 2013, official trade figures show services contributed 17 per cent of exports, mining 40 per cent, with agriculture and manufacturing accounting for the remaining 43 per cent[18]. Using the "value-added" approach, services contribute 41 per cent of Australia's export earnings, mining 37 per cent, and agriculture and manufacturing just 23 per cent collectively. Figure 6 illustrates the way trade flows are traditionally accounted for. Figure 7 shows how the picture changes when we use the value-added approach. As is clear, based on total "value-added", Australia's largest export category is the services sector.

Figure 6: Total gross exports to all countries by industry



Sources: OECD TiVA, ABS 5368.0.55.004 and 5368.0

Figure 7: Total exports of value-added to all countries by source industry



Sources: OECD TiVA, ABS 5368.0.55.004 and 5368.0

The importance of sales by foreign affiliates of Australian services companies

Sales of services by foreign affiliates[19] of Australian companies – such as overseas branches of ANZ Bank, Qantas, Toll Group, Linfox and Westfield – are also not reported in official trade statistics.[20] This oversight is unfortunate, because these sales deliver significant benefits to the Australian economy.

Foreign affiliate sales are substantial. Foreign branches of Australian services companies are estimated to have generated revenues of more than $138 billion in 2013, or more than double Australia's direct services exports, which in 2013 were $55 billion.[21] Although this is not an "apples and apples" comparison – see the box "US research shows benefits from sales of services by foreign affiliates" – it does demonstrate that by failing to register revenues from sales by foreign affiliates, we are ignoring a significant category of Australia's services exports, and failing to appreciate how they contribute to growth.

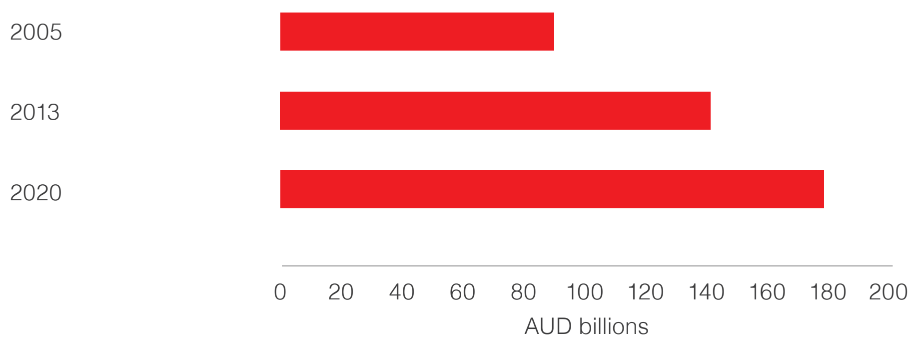
A lack of official data

One reason sales by foreign affiliates of Australian services companies are not properly recognised is that they are not comprehensively recorded. The only substantive review of these sales was published in a survey conducted by the ABS in 2002-03,[22] and the ABS cautions that this survey should be treated as experimental. ABS released a second report in 2011,[23] but it was restricted to the finance and insurance industries. Despite the relative lack of official data, modelling presented below provides an indication of the current scale of these sales, and of how they are likely to change over time.[24]

Foreign affiliates of Australian financial and property services businesses lead the way

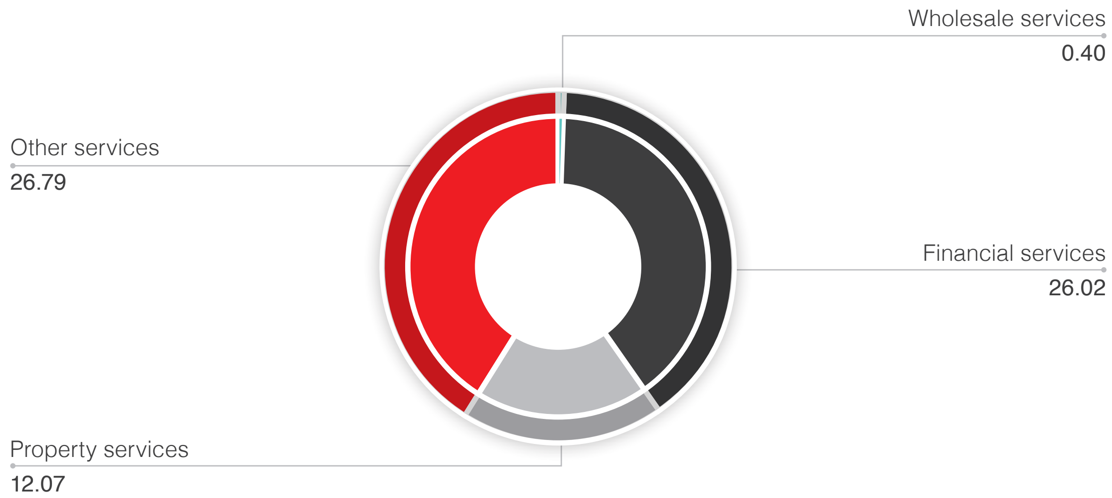
In 2003, sales by foreign affiliates of Australian services companies totalled $65.3 billion. Modelling suggests that this figure increased to approximately $138.9 billion by 2013 and will rise to about $174 billion by 2020 (see Figure 8). As is demonstrated in Figure 9, ABS data suggests that financial services represent the largest category, accounting for 40 per cent of total foreign affiliate sales of services. Property services (companies involved in leasing real estate) make up 12.1 per cent, and wholesale services (companies that distribute goods to retailers) provide less than 1 per cent. The balance is made up by other services, such as transport companies, accommodation providers, and educational and medical service providers.

Figure 8: Forecast total Australian foreign affiliate sales of services to all countries



Sources: ABS SOFATS; SOFI-FATS; CIE (2010); ITS Global calculations

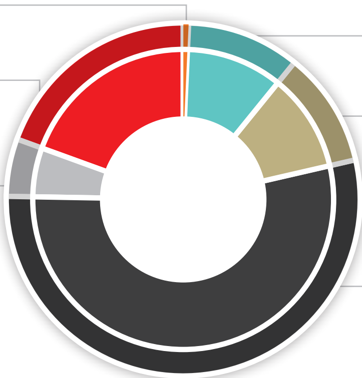
Figure 9: Australian foreign affiliate sales of services by industry (FY2003) – AUD billion



Source: ABS SOFATS

Australian taxation statistics present a similar story. According to ATO figures from 2011-12, Australian services companies generated net income of $7.1 billion from overseas operations, from a total of $8.9 billion from all industries (see Figure 10). Financial and insurance services accounted for $4.8 billion of this total, with professional, scientific and technical services earning $0.71 billion.

Figure 10: Net foreign income of Australian companies by sector 2011-2012 (AUD billions)



Source: ATO, Taxations Statistics 2011-12 – Table 4

The problem of measuring the value of earnings from affiliates

Sales of services by foreign branches of Australian companies bring benefits to Australia; however, these benefits are not directly comparable to earnings from direct and embodied exports of services. The value to the Australian economy is difficult to estimate, and needs to be assessed on a case-by-case basis. Very little research has been undertaken with a focus on the foreign expansion of Australian companies.

Recent US research demonstrates significant benefits from sales of services by foreign affiliates. This effect is very likely to hold for Australian firms that expand internationally. The diverse benefits that outward foreign investment delivers – including increased company spending on employment, tax, and research and development in Australia – present a strong argument for government policy that supports Australian firms establishing a commercial presence abroad. Comprehensive research on the scale and benefits of these exports, and of the Australian outward foreign investment that makes them possible, is required.

If Australian firms can increase their commercial presence in Asia, this will also enable them to participate in – and benefit from – intra-Asian growth, which is expected to continue to outpace growth in other regions over the coming decades.

US research shows benefits from sales of services by foreign affiliates

The latest US-based research,[25] suggests that the home economies of multi-national companies benefit in multiple ways from foreign affiliate sales, and from the outward international investment that makes them possible. It finds that *"expanded activity at foreign affiliates of US corporations is associated with more production, greater employment, higher exports, and more R&D in the United States".*[26] This contradicts the common fear that when domestic companies establish international operations, jobs are lost in the home economy and shipped abroad. While US firms do offshore some jobs, resulting productivity gains allow them to expand at home, leading to a net increase in the number of people employed by the same companies in the United States. One study found that on average, a 10 per cent increase in employment at foreign affiliates of US companies leads to a 3.9 per cent increase in employment by the same firms in the US.[27]

Recognising the value and importance of Australia's exports of services

The foregoing analysis overturns the conventional wisdom that resources represent Australia's most valuable export sector, and highlights the fact that sales by foreign affiliates of Australian services companies also provide substantial benefits to the Australian economy. This analysis also shows that there is significant scope to expand exports of services – including foreign affiliate sales – to Asia.

3

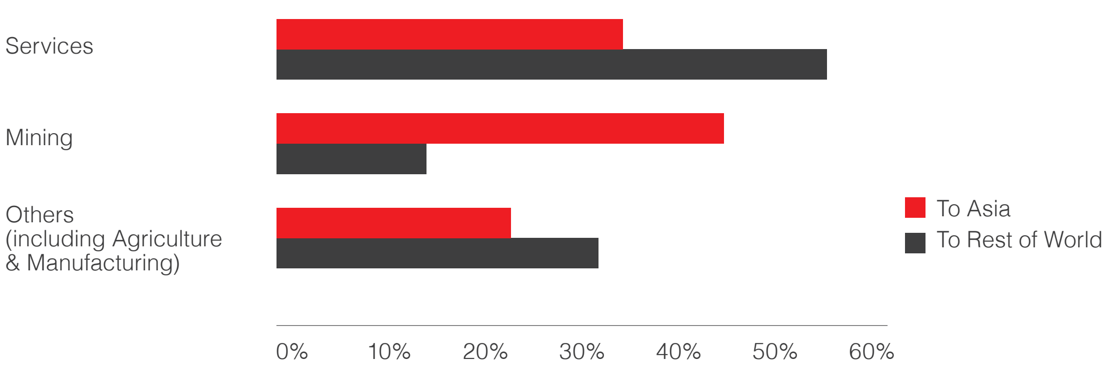
AN UNDERSERVICED REGION - ASIA'S GROWING DEMAND FOR WORLD-CLASS SERVICES

Over the past decade, Asia's appetite for Australian goods – especially resources – has soared. While demand for coal and iron ore moderates, Asia's economies will continue to develop and Asian demand for Australian services will increase.

Services exports to Asia: room to grow

The services sector is now Australia's second-most important export to Asia, after mining. In value-added terms, services made up 34 per cent of all Australian exports to Asia in 2013, and supported an estimated 661,000 Australian jobs.[28] In the same year, services represented 54 per cent of total Australian value-added exports to non-Asian destinations (chiefly New Zealand, North America and the EU) (see Figure 11).

Figure 11: Share of total Australian exports of value-added by sector - 2013

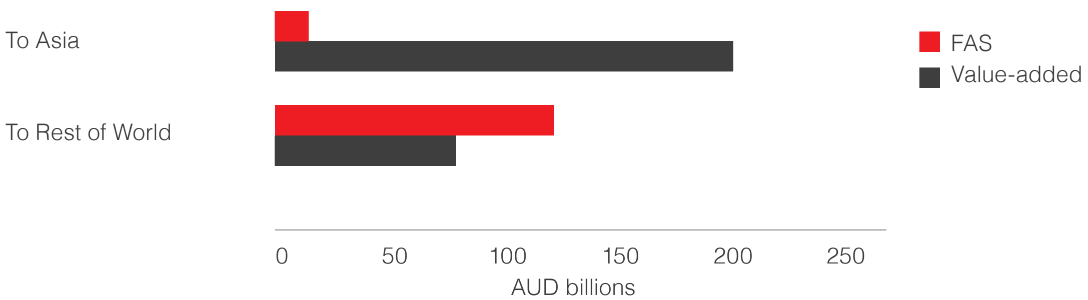


Sources: OECD TiVA, ABS, ITS Global calculations

Asian growth to date has largely been driven by production and export of globally competitive manufactured goods. But as Asian economies mature, a growing share of economic growth will have to come from services.

A similar story plays out when it comes to sales by foreign affiliates of Australian services companies. Sales of these services in Asia in 2013 were estimated at $14.2 billion, small in comparison with total value-added exports of goods and services to Asia, which were worth $205 billion.[29] Sales in industrialised countries[30] in the rest of the world were worth $124.7 billion, compared to total value-added exports of $79.8 billion (see Figure 12).[31]

Figure 12: Foreign affiliates sales of services compared to value-added exports – 2013



Sources: ABS SOFATS, SOFI-FATS; CIE (2010); OECD TiVA, ABS, ITS Global calculations

Various factors appear to be holding back Australia's services exports to Asia. Australian businesses' relative lack of "Asia literacy" has been singled out as an area of concern,[32] as has the economic stagnation experienced by some major trading partners, such as Japan. One common issue is that many Asian markets maintain barriers to investment and to exports from foreign services companies.

Barriers to trade

International trade in services is more restricted than international trade in goods. In the 20 years since the formation of the WTO and the adoption of the General Agreement on Trade in Services (GATS) – which laid out a framework to guide the liberalisation of international services trade – only halting progress has been made towards this goal of open markets for services worldwide. Most industrialised economies have opened their markets to investment and sales from foreign service providers; however, developing economies have been reluctant to follow.

This has been the pattern followed by most Asian economies (Singapore and Hong Kong excepted), notwithstanding declarations of intent by some economies to open investment and services markets. They have maintained barriers to foreign investment and to imports of services from overseas providers to protect local services industries. This has limited opportunities for Australian firms. Australia's recently completed bilateral free trade agreements with China, Japan and Korea have succeeded in reducing some of these barriers, but more remains to be done to open Asian markets.

Examples of the type of barriers faced by foreign service providers in Asian countries, by sub-sector

Financial services

- Lengthy and non-transparent licensing procedures, and prudential oversight requirements.
- Limited recognition of Australian qualifications.
- Limits on scope of services offered.
- Nationality requirements for managers.
- Equity limits on foreign investment.

Transport and logistics

- Domestic coastal shipping in many Asian countries reserved for nationals (cabotage).
- Controls on use of foreign maritime workers in many Asian jurisdictions.
- Limits on foreign investment in aviation.

Professional services

- Nationality and residency requirements, particularly legal and accounting services.
- Limited recognition of Australian qualifications.
- Limits on foreign investment in local firms.

Education

- Limits on the type of establishment for foreign institutions.
- Restrictions on employment of foreign teachers and educational managers.
- Visa and entry procedures which limit the mobility of foreign students.

Rising demand and falling barriers

Economic growth in Asia is predicted to outstrip growth in the rest of the world for the foreseeable future. The IMF predicts that emerging and developing countries in Asia will experience average GDP growth of 6.5 per cent per year until 2019, compared to a G7 average of 2.1 per cent.[33]

Asian growth to date has largely been driven by production and export of globally competitive manufactured goods. But as Asian economies mature, a growing share of economic growth will have to come from services. This will represent a significant shift for many Asian economies – for example, services currently contribute an average of only 41 per cent to the GDP of ASEAN countries, compared to an OECD average of 71 per cent.[34] As key Asian countries transition from goods-based to services-based economies, they will require globally competitive domestic services sectors. Opening services markets and allowing foreign investment is a critical means of driving this competitiveness.

Asian governments are increasingly recognising this. Bilateral and regional free trade agreements are providing opportunities for Asian governments to liberalise. Recent Australian FTAs with Asian partners granted improved – and in some cases unprecedented – access for Australian services companies.

In addition, two major regional trade pacts – the Trans Pacific Partnership (TPP) and the Regional Comprehensive Economic Partnership (RCEP) – are being negotiated to advance further liberalisation of regional trade in services and investment. Asian parties to the TPP include Japan, Malaysia, Singapore and Vietnam. The RCEP negotiation encompasses China, India, South Korea and the 10 members of ASEAN (Australia is a party to both agreements). These agreements will provide pathways towards a Free Trade Area of Asia and the Pacific (FTAAP), which the 20 APEC members (including many members of both TPP and RCEP) have agreed to consider by 2016.

The major changes wrought by these agreements will be the liberalisation of investment and trade in services. Barriers to trade in goods are already relatively low across Asia.

The goal of opening global services markets has also been re-energised by WTO members. Fifty of them – led by Australia, the EU and the US – are currently negotiating the Trade in Services Agreement (TiSA).[35] This would be a new multi-lateral pact to expand commitments in the WTO services agreement and liberalise the international services trade. Its aim is to *"set a new standard in services trade commitments, capturing the progress that has been made through unilateral liberalisation and in free trade agreements outside the multilateral system."*[36] TiSA parties represent an estimated 70 per cent of the global trade in services.[37]

Falling barriers to foreign services companies will create growing opportunities for Australian businesses to export services to Asia. Equally important in creating these opportunities will be rising demand driven by Asia's economic growth

The size of the prize

As Asia's economies modernise, demand for world-class services will increase.

Asian companies will seek ever-more specialised services from lawyers, banks, designers, scientists and IT professionals. Asian consumers will increasingly demand high-quality health care, education and travel. Opportunities to invest and develop businesses in financial services, telecommunications, hospitality, and transport and logistics will increase. International services companies will help meet this growing demand, whether through cross-border sales or by establishing a commercial presence in Asia and selling services via foreign affiliates.

Education and training will continue to represent a major export for Australia, with opportunities for significant growth as the Asian middle class expands from 500 million today, to an estimated 3.2 billion by 2030.[38]

There are opportunities for Australian businesses to become the leading provider of financial products in some parts of Asia. Indonesia, for example, has a rapidly growing middle class coupled with a relatively under-developed domestic financial services industry. There are opportunities for Australian providers of pensions and insurance to develop customised products that could be sold and managed by local firms, or by affiliates of Australian businesses.

Australian providers will need to invest and establish on-the-ground presences to service Asian consumers. Likewise, to participate in the rise of complex global value chains, Australian firms will also be required to establish a presence in Asian jurisdictions or risk being left out.

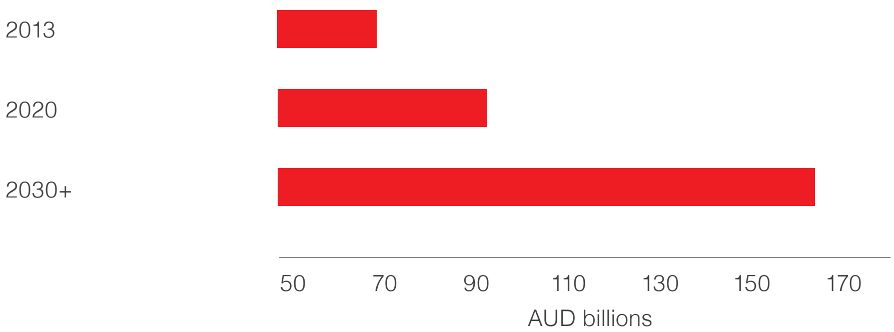
Even the goods that Australia exports to Asia will become increasingly "services-intensive". As mentioned in section 2 of this report, 18.26 per cent of the value of Australian mining exports is added by services companies ($1 billion in mining exports contains $182.6 million in embodied services value). However, in the case of food and beverage exports, the services component is 32.27 per cent – $1 billion in food and beverage exports includes $322.7 million value added by Australian services companies.[39] Australia's new FTAs create significant new opportunities. China's recent agreement to improve access to its vast market for food and beverage products from Australia immediately presents an opportunity for Australian services companies to add value.

In 2013, Australia's total exports to Asia earned $205 billion[40] – $69 billion (34 per cent) from the services sector, and $90 billion (44 per cent) from mining. If total exports to Asia continue to increase, driven by Asian economic growth, total exports will reach $268 billion by 2020. If the relative percentages represented by each sector remain more or less unchanged, by 2020, mining exports to Asia will reach $115 billion, with services accounting for $91 billion.

However, the construction boom that is driving much of the demand for Australian resources – especially in China – is widely believed to be moderating. Australia's mining exports are not expected to grow as fast as the brisk pace observed in recent years. At the same time, as mentioned, Asian demand for services is increasing, and restrictions on investment and trade in services are likely to ease.

Figure 13 demonstrates that value-added exports from the Australian services sector to Asia are on track to increase from $69 billion in 2013 to $91 billion in 2020, and to as much as $163 billion over the longer term (i.e. beyond 2030). The projections assume that the rates of economic growth in Asian economies will generally slow between 2020 and 2030 but that services as a share of Australia's total exports to the region will increase from the current level of 34 per cent to 44 per cent. This projected increase in the share of total exports to Asia represented by services is highly feasible. Services already represent 54 per cent of the value of Australia's total exports to the rest of the world[41], so an increase of 34 per cent to 44 per cent would require closing only half the gap by 2030. This would also result in services surpassing mining to become Australia's number one export to Asia.

Figure 13: Projected Australian exports of services value added to Asia



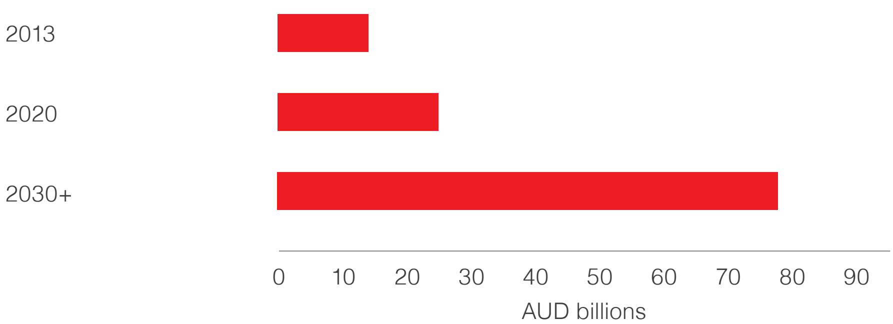
Sources: OECD TiVA, ABS, ITS Global calculations

The scenario presented above would result in these services exports supporting an estimated 732,000 Australian jobs by 2020 and more than a million from 2030, compared to 661,000 in 2013. As noted above, sales of services by Asian affiliates of Australian companies are also likely to become more significant over the next decade and beyond. As mentioned at the beginning of this section, these exports are underperforming in Asia when compared with other parts of the world. To a large degree, this constrained performance appears to be caused by the barriers to foreign investment described previously.

These barriers are likely to fall in coming years, as the various bilateral and international trade and investment agreements take effect. If, as a result of this improved access, Australian investment in Asia grows at just 0.5 per cent per year faster than it has in the past 10 years, then sales of services by foreign affiliates of Australian companies could grow from $14.2 billion in 2013, to $25 billion in 2020, and as much as $77.6 billion from 2030 (see Figure 14).[42]

As noted in Section 2, expansion of foreign affiliate sales correlates strongly with increases in investment and employment in home markets. Consequently, it follows that increases in sales by foreign branches of Australian services companies will lead to increased employment by these companies in Australia.

Figure 14: Projected foreign affiliate sales of Australian services in Asia



Sources: ABS SOFATS; SOFI-FATS; ABS 5352.0 table 5; CIE (2010); ITS Global calculations

The scope for expansion of Australian exports of services to Asia – both in value-added terms and as sales by foreign affiliates of Australian companies – is substantial. It represents an important opportunity for contributing to Australia's economic growth, and for driving job-creation. But this will not happen automatically. The Australian economy must remain globally competitive. Experience with education in recent years is illustrative. The value of Australia's education exports to Asia decreased by nearly 20 per cent from 2009 to 2013, reflecting a decrease in the number of students from the region choosing to study in Australia.[43] While Australia's education exports have been contracting, competitor countries have been making strong inroads into the Asian market. In 2012-13, there was a 7.2 per cent and 6.7 per cent increase in international students – a large proportion from Asia – in the United States[44] and Canada respectively[45].

To take advantage of the opportunity afforded by Asia's rise, Australia will need to address the factors that until now have constrained services exports to Asia.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4

SEIZING THE ASIA OPPORTUNITY – STRATEGIES FOR A SERVICES FUTURE

The opportunity to supply services to Asia is expected to grow in three ways in coming years:

- Asia's need for world-class services is growing, and will both drive and be driven by economic growth in the region.
- Asia's appetite for more "services-intensive" goods is also growing. As demand increases for goods such as food and beverages for example, the services value embodied in Australia's goods exports to Asia will increase.
- Falling barriers to foreign investment in Asian countries will also enable foreign services companies to establish and/or expand their Asian presence.

The pie is growing, but it does not automatically follow that Australia will maintain its share. Six strategies are proposed to capitalise on these opportunities.

Earnings from services will become a key vehicle to realise the Asian opportunity, contributing substantially to Australia's economic growth, and providing hundreds of thousands of jobs for Australian workers.

1 Ensure the Australian marketplace is open so Australian services industries are internationally competitive.

The most effective way to ensure Australian firms are competitive in the Asian marketplace is to ensure they are globally competitive businesses in Australia. Open markets at home also give more weight to Australia's advocacy for reduced barriers to investment and services in Asia.

Specific policies that should be considered are:

a) Extend to all countries the highest threshold to trigger review of foreign investments by the Foreign Investment Review Board (FIRB).[46]

b) Promote recognition of approved foreign professional qualifications.

c) Ease constraints on foreign universities establishing campuses in Australia, to align with the access granted to Australian institutions in Asian economies.[47]

d) Increase competition in and liberalise coastal shipping, and continue the privatisation of ports.[48]

2 Establish an ongoing program of dialogue between business and government to identify necessary changes to regulations in foreign jurisdictions that impede access to Asian services markets.

The commitments to improved access to service markets in new FTAs are important, but first, steps. Removal of specific regulations requires an intense, case-by-case review process; there are no tariff-like whole-of-industry formulae for reductions in market access barriers. Continuing collaboration between business managers and government officials in each key services industry to identify, and then submit to foreign officials for removal, regulatory impediments is essential to expand market opportunities under existing and future FTAs.

KAFTA TPP
JAEPA
RCEP
ChAFTA

3 Advocate the liberalisation of international trade in services, and of foreign direct investment, in both bilateral and regional free trade agreements.

Significant progress towards open services markets has been made in Australia's recently concluded bilateral FTAs with China, Japan and Korea. The Australian government should build on these gains by advocating similar measures in future FTAs, and through membership of the Trans Pacific Partnership (TPP) and the Regional Comprehensive Economic Partnership (RCEP), and its leadership position in negotiations towards the WTO Trade in Services Agreement (TiSA). This advocacy should also be heavily informed by the business-government dialogue proposed above.

These agreements will demonstrate that economic integration in the future will be based heavily on open investment and services trade regimes. The prospect in the longer term of building a free trade area among all members of APEC, which would arch over the regional agreements under negotiation, is now under active study in APEC. Australia should be active in pushing for removal of barriers to foreign investment in these bilateral and regional forums to support expansion by Australian services companies into Asian markets.

4 Recognise and promote Australian offshore investment

Australia's tax regime creates disincentives for investment in offshore businesses. Dividends from profits derived offshore do not benefit from the franking credits available for Australian profits. As a result, Australian investment portfolios will be biased against offshore investment. Incentives will be created to sell Australians' offshore assets to foreign investors who will value those assets more highly. Small and medium size companies will face higher capital costs when investing offshore. Revising this tax treatment could lead to increased outward foreign direct investment, resulting in the domestic economic and employment benefits described in Section 2 of this paper.

5 Re-assess the way that we measure the value of exports – and systematically collect data on sales by foreign affiliates of Australian companies – in order to better understand which industries are generating the greatest returns from international trade.

Measuring trade in value-added terms, rather than concentrating on gross trade flows, reveals much more about the contribution of each industry to Australia's exports, and about how countries interact in global value chains. Australian trade policy would benefit greatly from analysis – and official recognition – of value-added trade flows. The value-added approach to accounting for trade also provides a better basis for recognising the relative importance of different industry sectors in the Australian economy. The publicly available OECD-WTO Trade in Value-Added (TiVA) database now provides a powerful tool to support this analysis.

Sales of services (and goods) by foreign affiliates of Australian companies should also be systematically tracked and reported.[49] This will give a much clearer picture of the scale and growing economic importance of this class of export.

6 Continue to develop an Asia-capable and internationally oriented workforce.

Recent research by the Export Council of Australia has demonstrated that one of the biggest challenges for Australian exporters in the region is navigating the complexities of Asian business cultures[50]. Similarly, the business-led National Taskforce for an Asia-Capable Australia found a strong link between the "Asia-capability" of a business' executive and board, for example by having senior staff members who understand Asia's cultures, histories and languages, and their commercial success in the region[51]. As Australia's trade with Asia begins to shift more and more towards the services sector, Australian businesses will be required to engage in much greater levels of face-to-face interaction with their Asian business counterparts than they would in the goods sector. This shift will require government, business, and the education sector to increasingly work together to ensure Australia develops the "Asia-capable" workforce necessary to become a service provider of choice in the Asian region.

This program of action will help position the Australian services sector to capitalise on the growing opportunities created by Asia's rise. As the growth of commodity exports moderates from the historic peaks of the past few years, earnings from services will become a key vehicle to realise the Asian opportunity, contributing substantially to Australia's economic growth, and providing hundreds of thousands of jobs for Australian workers.

End notes

[1] Except where otherwise indicated, calculations of the value of exports in this report are based on the "value-added" approach that is outlined in Section 2.

[2] Organisation for Economic Cooperation and Development (OECD), *Trade in Goods and Services: Statistical Trends and Measurement Challenges, Statistics Brief, October, No. 1* (by Andreas Lindner, Bill Caves, Lydia Deloumeaux and Joscelyn Magdeleine), 2000.

[3] For the purposes of this report, except where otherwise indicated, we will be following the OECD classifications of services enterprises: construction; wholesale and retail trade; hotels and restaurants; transport and storage, post and telecommunication; financial intermediation; business services; and other services.

[4] See ABS 5204.0, *Australian System of National Accounts*, Table 46. Note that the remaining 8.7 per cent of GDP is accounted for by ownership of dwellings.

[5] See ABS 1301 0, *2005 Year Book Australia*, p427. Note: in 1900 about 28 per cent of GDP was contributed by dwelling rent, government administration, construction and other industries that are not captured in this graph.

[6] World Bank Databank, *Indicator: Services etc. Value-added contribution to GDP* (http://data.worldbank.org/indicator/NV.SRV.TETC.ZS). Note: ABS and World Bank methodologies differ slightly, and the most recent World Bank year with good data coverage is 2011.

[7] See ABS 6291.0.55.003, *Labour Force Australia, Detailed, Quarterly, August 2014, Table 4*. Note, this figure does not include contractors.

[8] See ABS 8155.0, *Australian Industry, 2012-13*, Table 1. Note: The labour costs represented also include workers' compensation premiums/costs, fringe benefits tax and payroll tax, and capitalised wages and salaries.

[9] This estimate is derived by using ABS statistics on gross value added by industry (see ABS 5204.0 Table 5), and dividing these by the number of employees per industry (See ABS 6291.0.55.003, *Labour Force Australia, Detailed, Quarterly, August 2014, Table 4*). This ratio of gross value-added per worker was then applied to the value-added exported from each industry, to produce an estimation of the total number of jobs supported by exports from each sector.

[10] The relatively low number of jobs supported by exports of mining value added is explained by the high ratio of gross mining value added to total mining employees, which, at $447,000 per worker, compared to $105,000-108,000 per worker in the agricultural, manufacturing and services sectors.

[11] The revenues that make up this third class of export are not directly comparable with earnings from direct and embodied exports, as a significant proportion is either spent on operating costs in the host country, or reinvested overseas. See the latter half of this section for a more detailed discussion of the benefits of this third export category.

[12] Business services include consulting, IT and professional services. Educational travel includes fees paid by international students in Australia, as well as their expenditure on accommodation, travel and other living expenses. Other services categories not included among the top four include medical services, scientific services, construction and telecommunications.

[13] The numbers above are based on an example provided by the United Nations UN-Stats. See http://unstats.un.org/unsd/trade/globalforum/trade-value-added.asp

[14] It also results in widespread double-counting. In the example above, the parts and services provided by third countries to the Chinese manufacturer would have been counted as separate exports, so the US$179 iPhone would have eventually accounted for almost double that value in trade.

[15] Input-output tables show how much value each industry sub-sector adds to the output of other industry sub-sectors. For example, Australia's most recent input-output table (ABS reference 5209.0.55.001) reveals that 3.5 per cent of the output of the motor vehicle manufacturing industry is supplied by third-party providers of professional, scientific and technical services.

[16] See http://www.oecd.org/industry/ind/measuringtradeinvalue-addedanoecd-wtojointinitiative.htm. The work involved in compiling the TiVA database is substantial. So far, data for five years (1995, 2000, 2005, 2008, 2009) has been released. This chapter includes extrapolations of data for other years that is based on arithmetic interpolation, and with reference to other data sources, chiefly provided by the ABS.

[17] It is important to note that the value-added approach also disaggregates the embodied value in exports of *services*, as well as goods. For example, according to TiVA, direct exports of Australian business services include embodied services value of 93.05 per cent. The remaining 6.95 per cent is made up of the goods that the business services companies purchased in order to produce the exported services (examples of these goods include computers, stationery, and milk for the office fridge).

[18] The categories presented in this graph represent Australia's top 5 OECD TiVA categories, which divide Manufacturing into sub-sectors such as: "Food products, beverages and tobacco"; and "Chemicals and non-metallic mineral products". The "Other" category represented in Figures 4 and 5 includes the following manufacturing sub-sectors: Basic metals and fabricated metal products; Machinery and equipment, (not elsewhere classified); Electrical and optical equipment; Transport equipment; Manufacturing (not elsewhere classified); Recycling.

[19] These revenues are often described as "Mode 3" exports, in reference to how they are defined in the WTO General Agreement on Trade in Services (GATS). "Mode 3" services exports are defined in Article I, Section 2 of the WTO's GATS as supply of services *"by a service supplier of one Member, through commercial presence in the territory of any other Member"*. For the purposes of this paper, Modes 1, 2 and 4 are included in the "Direct exports" category. See http://www.wto.org/english/tratop_e/serv_e/gatsqa_e.htm for more detail on the four modes of trade in services.

[20] Sales of goods by foreign associates of Australian companies are also overlooked, however they account for a much smaller share of total goods exports than is the case for services.

[21] Sources: ABS References 5368.0.55.004 and 5368.0

[22] *The Survey of Outward Foreign Affiliates Trade* (SOFAT). ABS reference 5495.0

[23] *Australian Outward Finance and Insurance Foreign Affiliate Trade, 2009-10* (SOFI-FATS), ABS reference 5485.0

[24] The estimates of current and future Mode 3 trade flows that are presented in this section have been prepared based on extrapolations of the two ABS surveys, and on a method presented in a 2010 paper prepared by the Centre for International Economics (CIE) for the Australian Department of Foreign Affairs and Trade (DFAT). The key data sources used were the 2003 SOFATS survey, IMF predictions of GDP growth by country (presented in the World Economic Outlook database), ABS estimates of Australian outward foreign direct investment (ABS 5352.0 Table 5), and the method outlined in the 2010 CIE paper. Unfortunately, the applicability of the SOFI-FATS 2011 survey was found to be limited, due to the following reasons: SOFI-FATS only reported Mode 3 sales by financial and insurance services providers, rather than all service providers; the sales were global totals only, and were not disaggregated by host region or country; and the year presented (FY2008-09) took place at the height of the global financial crisis, rendering problematic any multi-year extrapolations.

[25] For example, Hufbauer et al, *Outward Foreign Direct Investment and US Exports, Jobs, and R&D: Implications for US Policy*, Policy Analyses in International Economics, August 2013. Note: this study focuses on foreign direct investment from US goods and services industries, rather than limiting its focus to the services sector.

[26] Hufbauer et al (2013), Executive Summary

[27] The authors note that although this effect drives a net positive effect for US workers, "Changing patterns of MNC investment, like changing patterns of technology deployment more generally, contribute to job losses and dislocations for some workers and to new opportunities for others." (Executive Summary)

[28] See Section 2, endnote 9 for an explanation of the methodology that was used to arrive at the estimated number of jobs supported by exports of services value-added to Asia.

[29] In value-added terms. As in the previous section, foreign affiliate sales totals are to be considered alongside – rather than in addition to - value-added totals.

[30] A very small proportion (approximately 6 per cent) of these sales were in developing countries outside Asia.

[31] Foreign affiliate sales sources: ABS SOFATS; SOFI-FATS; CIE (2010); ITS Global calculations. Value-added sources: OECD TiVA, ABS, ITS Global calculations.

[32] See, for example, Asialink's submission to Australia in the Asian Century White Paper: http://asialink.unimelb.edu.au/__data/assets/pdf_file/0020/556112/AsialinkSubmissinon_AustraliaintheAsianCentury.pdf

[33] The source for these figures is the *IMF World Economic Outlook*. Developing countries in Asia include Brunei Darussalam, Cambodia, China, India, Indonesia, Malaysia, Philippines, Thailand and Vietnam; G7 consists of Canada, France, Germany, Italy, Japan, United Kingdom and United States.

[34] Source: World Bank indicator "Services etc. Value Added % of GDP" 2011. Note: ASEAN average does not include Singapore.

[35] The full list of parties to the TiSA: Australia, Canada, Chile, Chinese Taipei, Colombia, Costa Rica, European Union (representing its 28 member states), Hong Kong, Iceland, Israel, Japan, Liechtenstein, Mexico, New Zealand, Norway, Pakistan, Panama, Paraguay, Peru, Republic of Korea, Switzerland, Turkey and the United States.

[36] See http://www.dfat.gov.au/trade/negotiations/services/trade-in-services-agreement.html

[37] See http://ec.europa.eu/trade/policy/in-focus/tisa/

[38] See PricewaterhouseCoopers (2014), *Passing Us By*, p10.

[39] All numbers from TiVA database, 2009.

[40] Measured using the value-added approach.

[41] Mainly North America, Europe and New Zealand.

[42] This assumes that the rate of growth in Australian investment in Asia that was observed between 2001 and 2013 (11.6 per cent per year) will continue until 2020, and then increase by 0.5 per cent per year until 2030, as barriers to investment are eased.

[43] Melbourne Institute of Applied Economic and Social Research, University of Melbourne, *Commissioned Dataset on Australia's Services Trade*, 2014.

[44] Institute of International Education, United States (2014). *Open Doors Data*. http://www.iie.org/research-and-publications/open-doors/data

[45] Government of Canada (2014) *Preliminary Tables – Permanent and temporary residents 2013*. http://www.cic.gc.ca/english/resources/statistics/facts2013-preliminary/07.asp

[46] Currently, many Asian investors seeking to acquire Australian assets worth more than $248 million must go through often onerous review by FIRB. This is not the case for investors from the US and New Zealand, for whom the threshold is $1.078 billion. Applying the higher threshold to all foreign investors would promote and expand investment by foreign services companies in Australia, leading to greater competition in the domestic services sector. Recent FTAs that Australia has signed with Asian partners have already gone some way to addressing this issue. For example, in the Japan Australia Economic Partnership Agreement (JAEPA), the FIRB threshold for Japanese investors in Australian businesses was raised to $1.078 billion, in line with the threshold applied to US and NZ investors. The China-Australia Free Trade Agreement also reportedly includes a similar increase, although it is limited to investments in non-sensitive industries by private investors (not state-owned enterprises).

[47] There are currently only two foreign universities that have established campuses in Australia, Carnegie Mellon University and University College London – both in Adelaide. More foreign universities would foster greater competition among Australian education providers.

[48] *The Coastal Trading (Revitalising Australian Shipping) Act* (2012) does not allow general domestic shipping licences to be granted to vessels registered in foreign countries.

[49] To date, the ABS has presented only one, experimental, attempt to comprehensively register these sales in 2002-03, followed by a second partial survey in 2009-10.

[50] Export Council of Australia, *Australia International Business Survey*, 2014.

[51] Asialink, *Developing an Asia-Capable Workforce – A National Strategy*, 2012.

Printed in Australia