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Australian Services Exports
Productivity Commission
Locked Bag 2, Collins Street
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Productivity Commission Study into Barriers to Growth in Australian Services Exports

Standards Australia welcomes the Productivity Commission Inquiry into the barriers to growth in Australian services exports. The Australian Government has recognised the growing importance of education, financial services, health services, information technology, professional services and tourism to our economic future.

Key Points:

- Over recent years there has been an increase in the use and consequent importance of international standards in the services sector.
- Participation by Australian stakeholders in international standardisation activities is an integral part of Australia's efforts to increasing the competitiveness of businesses and helping remove barriers to trade at an international level.
- In many services related technical committees there is a growing need for more Australian experts to become involved in the standards development process.
- Australian engagement is in Australia's national interest and provides an unparalleled opportunity to facilitate market access for services exports.
- Australian stakeholders must be fully engaged in international standardisation efforts so that they can be a driving force to influence outcomes in our country's interest.

Introduction

There is a significant and growing body of academic and applied economic research on the contribution of services to our economy at the national and international levels and we are confident that additional information and insights will be identified through this important and timely inquiry.

Standards Australia's submission will largely focus on the importance of participation in international services standards development as a part of a multi-faceted approach to identifying and removing barriers to trade. Studies undertaken by the International Organization for Standardization (ISO) and other Standards Development Organisations indicate the strong link between participation in standards development and trade.¹

With Australia facing major structural adjustments, both government and industry need to consider greater involvement in services standardisation if Australia is to increase its export of key services.

Furthermore, there is a need for Australia to undertake a related study on the correlation of Australia's position in international services standardisation activities and the impact on our export trade. An important question to answer is what is the cost to Australia's export trade in services of not participating in areas of international standardisation activities?

Background

Standards Australia is Australia's National Standards Body. It is an independent, not-for-profit organisation and is the Australian member of the International Organisation for Standardization (ISO), the International Electrotechnical Commission (IEC), and the Pacific Area Standards Congress (PASC). It also supports the Australian Government through the Asia-Pacific Economic Cooperation (APEC) Sub-Committee on Standards and Conformance (APEC SCSC) and the World Trade Organisation (WTO). Standards Australia is committed to supporting government, industry and consumer's participation in international services standardisation and related activities in the national interest.

Australia's engagement in international standards development is supported by the Commonwealth through the Support for Industry Services Organisation (SISO) program which adds greatly to Australia's capacity to engage in and influence international standards through the ISO and IEC.

International services standardisation

Australia's increasing reliance on the export of services and its contribution to the nation's overall economic wellbeing and future prosperity means that contributing to and aligning with international services standards are more important than ever before.

Standards Australia has identified engagement in international services standardisation as a priority work stream. Standards Australia has over 100 technical committees, Sub-committees and Working Groups that are supporting the development of national and international services standards.

¹ ISO has a Repository of studies on benefits of standards, see
http://www.iso.org/iso/home/standards/benefitsofstandards/benefits_repository.htm?type=EBS-MS

For example, Australian experts are active members in many ISO and IEC services related committees, below is an illustrative list;

- Biometrics (ISO/IEC JTC 1 SC 37)
- Environmental management (ISO/TC 207)
- Facilities management (ISO/TC 267)
- Forensic sciences (ISO/TC 272)
- Financial services (ISO/TC 68)
- Security (ISO/TC 292)
- Risk management (ISO/TC 262)
- Software and systems engineering (ISO/IEC JTC 1 SC 7)
- Tourism and related services (ISO/TC 228)
- IT Service management and IT Governance (ISO/IEC JTC 1 SC 40)
- IT Security Techniques (ISO/IEC JTC 1 SC 27)
- Cloud Computing (ISO/IEC JTC 1 SC 38) and
- Information Technology for Learning, Education and Training (ISO/IEC JTC 1 SC 36).

The Standardization Administration of China (SAC) proposed the establishment of a new ISO Working Group on services to support ISO's consumer related standardisation services work in late 2014.² This builds on the development of the ISO/IEC Guide 76 Development of service standards - Recommendations for addressing consumer issues.

Further to this new initiative from SAC, the ISO Committee on Conformity Assessment (CASCO) is currently considering a proposal to develop an example certification system for services. Participation in international certification systems is very important to ensure that exports can be easily traded across borders. Having one internationally recognised standard and supporting certification system eliminates the need to undergo certification in each market the service is being provided in.

Engagement in relevant international standards committees is a critical component of efforts aimed at maximising global business opportunities for Australian business in the context of bilateral, regional and international trade, as well as foreign direct investment. This is recognised by our counterparts. Singapore's National Standards Body, SPRING Singapore has recently set up a Pro tem (short-term) Committee on Services Standards to address emerging needs in the services sector. This initiative is underscored by the fact that services contribute 70.4% of GDP and employ up to 2.57 million workers in Singapore.³ To compare, services are also Australia's largest and fastest growing sector, both in terms of employment and economic output.

Ambitious international trade agenda facilitates services exports

The Government has embarked on a highly ambitious and forward looking trade agenda evidenced by the negotiation and finalisation of a number of significant bilateral and regional trade agreements. In recent months, Australia has concluded negotiations on an historic

² ISO COPOLCO Resolution 3/2014 established a Working Group on Consumer Issues in Services (ISO WG 18) under the leadership of the Standardization Administration of China, which is China's National Standards Body.

³ MTI Economic Survey, 2014 and Manpower Statistics, 2014 cited from a presentation by SPRING Singapore at the PASC Workshop *Towards a PASC standardization strategy for services: current work and future initiatives*, 4 May 2015, New Delhi, India.

Economic Partnership Agreement (EPA) with Japan, our second biggest trading partner and also with Korea, under the Korea-Australia Free Trade Agreement (KAFTA). Korea is Australia's third largest export market and Asia's fourth-largest economy. Undoubtedly, the China-Australia Free Trade Agreement which was concluded in November 2014 has also opened up significant services opportunities for Australia in areas such as tourism, education, financial and health services.

For Australia, the bilateral and regional pipeline has never been bigger or more challenging for our country's trade negotiators. It is worthwhile noting that Australia already has nine FTAs currently in force with New Zealand, Singapore, Thailand, US, Chile, the Association of South East Asian Nations (ASEAN with New Zealand), Malaysia, Japan and Korea.

Australia is currently engaged in another eight FTA negotiations –two bilateral FTA negotiations: India and Indonesia; and five multi-party FTA negotiations: including the Trans-Pacific Partnership Agreement (TPP), the Gulf Cooperation Council (GCC), the Pacific Trade and Economic Agreement (PACER Plus), Environmental Goods Negotiations and the Regional Comprehensive Economic Partnership Agreement (RCEP). In addition, the current Trade in Services Agreement (TiSA), led by Australia, the European Union and the US, along with other WTO members, which is focused exclusively on service industries will go a long way to assisting to address barriers to trade in the services sector.

A key question to answer is what impact will TiSA have on existing and new FTAs as a trade policy strategy?

These negotiations highlight the growing importance that trade agreements are playing to strengthen and facilitate goods and services trade, foreign direct investment and broader financial, political and person-to-person linkages among the countries of the Asia-Pacific. These developments not only provide unparalleled opportunities for Australia in the context of the Asian Century but also have enormous implications for Australia's commercial interests and the development of a trade policy services agenda more broadly.

There is no doubt that the evolving regional trading architecture in the Asia-Pacific has and will continue to lower barriers to trade for exporters of services and for investors. It will also bring about a closer alignment of shared interests and outcomes as well as integration into the broader global economy. As a result, Australian businesses, government and consumers are now better placed to capitalise on the benefits of closer economic integration in the Asia-Pacific region.

However, this economic integration poses a number of post agreement implementation challenges that need to be understood and managed. Trade negotiators as well as industry need to maintain the pace of activity and look at 'behind the border' issues particularly to reduce barriers for services exporters.

The important role played by international standards

The central role that 'Standards, Technical Regulations and Conformity Assessment Procedures' chapters play within trade agreements are not always fully recognised or readily appreciated by stakeholders. The Pacific Area Standards Congress (PASC), a regional grouping of some 24 National Standards Bodies held a workshop on International Services Standardisation on the 4 May 2015 in New Delhi, India. The workshop was supported by ISO, IEC and the WTO. Over eighty Standards and Conformance officials and industry participants from across the Asia-Pacific region attended the workshop and the major

deliverable was to identify and prioritise actions that PASC members, including Australia, can take to further support the growth in services. This workshop and others like it are a critical means of enhancing co-operation and information sharing on Standards and Conformance matters to facilitate trade in services across the region.

Similarly, Australia's growing involvement across the 21-member Asia-Pacific Economic Cooperation (APEC) is another excellent example of Australia working with member economies to reduce barriers to trade. APEC's Subcommittee on Standards and Conformance (SCSC) as well as the APEC Small and Medium Enterprises Working Group (SMEWG) undertake joint projects, seminars and outreach activities that strengthen co-operation between Governments, regulators, industry, consumers and NSBs.

Standards Australia has played an active role in these fora through designing, developing and delivering standards workshops. For example, the Australian Government Treasury is, in association with Standards Australia, involved in an APEC SMEWG project relating to harmonisation of standards to facilitate Cross Border Data Flows and Information. This project and others are important to bring industry, regulators, government and other stakeholders together to discuss issues, challenges and opportunities to assist SME's to better integrate into global value chains.

Australia has much to learn from our trading partners such as the United States, where US industry through the United States Council for International Business (USCIB) works side by side with the US Government to pursue an APEC Agenda that is focussed on positive outcomes for business. USCIB's 2015 APEC Priority Issues and Recommendations Statement is an excellent example of how business can help influence and shape the APEC agenda. Clearly, there is a need for Australian industry to continue working closely with Government and Australia's members of APEC's Business Advisory Council (ABAC) to ensure that Australia's commercial services sector interests are advanced in APEC initiatives. The same holds true for the Australian services industry to continue building on its involvement in international service standardisation efforts within APEC, ISO and IEC.

When one observes the growing presence of Australia's major trading partners such as China, Japan and South Korea in international services standardisation activities, it again highlights to Australian industry that strategic involvement in services standards development is no longer simply an option, but a commercial imperative. Participation in national and international technical committees ranging from nanotechnology and cloud computing to traditional Chinese medicine services are critical to ensuring Australian interests are taken into account at ISO and IEC. International services standards enhance market access for innovative and globally competitive Australian exporters of services.

Like the US, Canada and many other countries, Australia is also an active participant in the Pacific Area Standards Congress (PASC). PASC is a voluntary organisation of Pacific area national standards organizations that serves as a forum for strengthening the region's ISO and IEC standardization activities, supporting free trade and economic growth, and fostering regular dialogue, information exchange and collaboration with other standardisation stakeholders.

Response to growth in services in the Asia-Pacific

How then should the Australian government and industry respond to the new opportunities and challenges in the services area in the Asia Pacific region? It is clear Free Trade Agreements have a critical part to play in opening up market access and facilitating opportunities in services exports. So too, international services (and product) standards have become an increasingly important factor in supporting the growth of global trade.

In markets where Australia does not have preferential market access via FTA or Regional Trade Agreements, the negotiation, development and adoption of international standards mean that such countries are less likely to develop national standards that could adversely impact on Australian services exporters or investors.

Therefore, NSBs also have a parallel role to play to assist with facilitating open markets and global access. Recognising this, it is important that Australian industry, bilateral business councils, educational institutions and other organisations continue to focus their attention and efforts on engaging with NSBs across the Asia-Pacific.

Standards Australia is committed to working with Australian stakeholders and its Asia-Pacific counterparts to deepen and expand co-operation and engagement both bilaterally and regionally with its counterparts. The Asian century has begun and Australia needs to consider developing national, bilateral and regional international services standards strategies as part of wider engagement model with its neighbours. This is particularly important in the post-implementation phase of FTAs and RTAs, especially TISA.

There is a strong belief that the broader interests of maintaining and growing Australian services exports are best met through further trade in services liberalisation. Participation by Australia in technical committees in areas of strategic interest is also an important driver for facilitating global trade in services. One of the main by-products of International services standards is that they can help in not only setting but also communicating relevant benchmarks.

Issues for consideration

In order for Australia to best identify and address barriers to services exports, it is incumbent on policy makers and industry to take stock of Australia's involvement in international services standardization.

The Productivity Commission should support the continued participation of Australia in ISO and IEC services related work noting the economic benefit that accrues to Australia.

Similarly, the opportunity cost to Australia's services industry for not participating in services related standards development projects needs to be understood and appreciated by policy makers and industry players.

A further issue relates to the lack of clarity in defining technical services standards under the General Agreement on Trade in Services (GATS).⁴ Unlike products, where under the WTO-TBT Agreement there is a clear distinction between standards that are voluntary and standards that are mandatory i.e. technical regulations, no such distinction is made in the GATS. This raises the unresolved issue of what constitutes a 'technical standard' and the

⁴ Technical Standards in Services, World Trade Organization, Working Party on Domestic Regulation S/WPDR/W/49, 13 September 2012, (12-4832), page 29f.

broader question to consider, is there a need for a TBT Agreement equivalent for services required, and if yes, can a TBT type agreement model work. This undoubtedly, would instil greater consistency in the application and domestic treatment of technical standards. This is an important issue for Australia to consider in the context of barriers to exports of services.

The development of an Australian services standardisation strategy will help remove technical barriers to trade and support economic growth, innovation and global competitiveness.

Standards Australia looks forward to working with the Department of Foreign Affairs and Trade's FTA Implementation unit, the Department of Industry and Science and industry stakeholders to support this overall objective.

Conclusion

Standards Australia would be pleased to provide any additional comments to assist the Productivity Commission's deliberations.

Yours sincerely

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