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AGM Report by the President

The Annual General Meeting was held in Melbourne on 5 December 2005. The following is a summary of Dr Vince Fitzgerald's report.

2004-05 was a difficult year financially for the ASR though the year finished on a high due to the Executive Director, Jane Drake-Brockman's enormous effort. There has been a flurry of significant members' events, a rising public profile and the addition of some new members. We have entered

into new reciprocal relationships with the NSW Chapter of the Australia China Business Council, the Australia India Business Council and Professions Australia.

Obviously a major area of common interest for members is international trade policy and trade negotiations in which ASR marshals the input of the services sector to government. There are a number of key negotiations in train right now, including the Doha Round of multilateral negotiations in the WTO and bilateral negotiations, for example for an Australia-China Free Trade Agreement. The services sector is actively mobilising and the more it does so, the more that government listens. In this cause, to help ASR improve its finances and become more effective, each member needs to help attract new members.

ASR representatives met with Minister Vaile in Parliament House in December to discuss the approach to the Doha Round negotiations, emphasise the opportunities and significance for Australia of

achieving more ambitious outcomes for services and counsel against trading off service sector interests. The meeting was an excellent one, and well timed to precede the WTO Ministerial Meeting in Hong Kong.

ASR has also actively engaged government on a number of policy fronts, including the ongoing issues related to implementation of anti-dumping policy with respect to China, which was a year long activity provoked by the FTA negotiations.

The Executive Director will be endeavouring to meet one-on-one in the New Year with all members to ascertain their interests and find ways in which ASR can better serve them individually as well as those of the services sector as a whole.

WTO Ministerial GATS Negotiations

For the first time in Australian trade policy history, there were more Australian services industry representatives at the WTO Ministerial Meeting in Hong Kong than there were Australian farm representatives.



And for the first time, our President was formally part of the Minister's official Delegation. One of our founding members, Mr Ross Wraight, CEO of SAI Global, also participated as Advisor to the Minister.

The Australian Services Roundtable delegation had a very full agenda, oriented to industry and government policy networking activities, including one-on-one meetings with Trade Ministers and Senior Services negotiators from a variety of key services markets.

Our key objective for the meeting was retention of the controversial Ministerial Declaration Annex C on Services. This objective was achieved.

The Australian Services Roundtable joined other members of the Global Services Coalition in numerous media activities throughout the Ministerial. On Dec 18th 2005, we issued the following Media Release.

"The Global Services Coalition today called the services language in the World Trade Organization

Ministerial Declaration a "useful springboard" which can help define a way forward for services trade liberalization in the Doha Round of global trade talks.

"The services annex which WTO members have embraced is manifestly in the interest of developing countries." the Coalition said. "Moreover, it provides guidance on negotiating objectives in the four modes of supply of services, and it clarifies developing country concerns about a complimentary plurilateral negotiating approach which is intended to supplement the request-offer negotiating mechanism." Services negotiations by their nature are extremely complex and time-consuming, and the plurilateral approach envisaged in the text provides a way of making negotiations more practical, while not in any way obliging any country to liberalize against what they see as in their interests.

"We need the plurilateral groups to organize themselves quickly to utilize this mechanism. We have approximately one year until the end of the Round; in services negotiations, this is not a long time. In addition,

we call upon governments, including those of key emerging services markets, to be ambitious and move quickly into negotiating mode early in 2006."

"The agreement on the services language in the declaration is important, but it is negotiations, not text alone, that will yield trade liberalization and new opportunities for developed and developing countries alike." the Coalition said."

*Association of British Insurers
Australian Services Roundtable
Canadian Chamber of Commerce
US Coalition of Services Industries
European Services Forum
Financial Leaders Group
HK Coalition of Services Industries
International Financial Services -London*

2006 there will be a period of high pressure negotiations if a successful services outcome is to be achieved.

Australia is a member of most, if not all, of the various sectoral "Friends Groups" which are now actively engaged in designing plurilateral requests of groups of trading partners.



The Australian Government is also in the process of reviewing, in consultation with industry, its own services offer.

We currently consider April 10-23 to be the best window of opportunity for Roundtable members to join other global services industry representatives in Geneva to reflect on progress and lobby developing country negotiators.

New Members

ANZ Banking Group Ltd
(Banking and Finance)

Centre for International
Economics (Consultancy)

Design Inc (Architecture)

Investment & Financial
Services Association
(Securities and Finance)

News Limited (Media/ICT)

Royal Australian Institute
of Architects

Woodhead International
(Architecture)

FTA Update

Services issues are by far the dominant issues in any FTA negotiation. But in most of the negotiations currently underway, the Services issues are proving difficult and lagging behind the discussions on Goods.

United Arab Emirates Not good enough on Services

In general, the services aspects of the negotiations are beginning to lag behind. Australia is pursuing a Negative-list approach on Services, focussed especially on key export sectors such as Construction and Education. Some key educational “badging” issues remain to be resolved for UAE branches of Australian institutions eg “Monash University (Dohar)” or “Monash University”.

The Agreement seems likely to include a chapter on Telecommunications – but no market access offer is yet forthcoming.

Things are looking somewhat more positive on Legal Services, where

Australia is aiming to achieve some flexibility in the current joint-venture arrangements in the UAE.

Financial Services remains an area of sensitivity in the UAE. Importantly, however, there are some indications that the foreign investment limit of 49%, which still generally applies in UAE, might prove negotiable.

For its part, the UAE wants improvements on Visas and Movement of Natural Persons. The UAE is also interested in a bilateral deal in relation to the Foreign Direct Investment.

The Australian Government attaches importance to securing the inclusion of a general Most Favoured Nation (MFN) clause as insurance to protect Australia against losing ground via future UAE FTA's with other trading partners.

The next negotiating round takes place in the UAE in March.

Of special interest is the fact that Saudi Arabia has now cleared the way for the member countries of the Gulf Cooperation Council to negotiate FTAs on a regional



as distinct from bilateral basis. Saudi Arabia is understood to have requested of both the UAE and the Australian Governments that the mandate for these negotiations be widened to enable a GCC-wide FTA with Australia. At this stage, the inclination seems to be to finish on a bilateral basis.

But watch this space.....
Saudi Arabia is an important market for Australia.

China Services are “sensitive”

The next meeting takes place in Canberra on 27 February. Discussions on Services are lagging behind and discussion on Goods might have to be put on hold until Services catches up.

China is continuing to insist on a Positive-list approach on Services and has indicated that from its perspective all Services, Investment, and Government Procurement issues are “sensitive”. The February discussions will focus on illustrating how an FTA might be able to go beyond the two parties’ WTO commitments.

Early indications are that Insurance and Banking might be sectors where some negotiation is possible.

Australian industry is working closely with Government to help promote the benefits of an FTA to China.

Mr. Vaile will participate in a Services Seminar in Beijing on 24 April, to which a number of Australian Services Roundtable members will contribute. The one-day Seminar covers Financial Services, Engineering, Architecture & Construction, Education, and Transport & Logistics.

China, meanwhile, has flagged potential interests in pursuing FTA outcomes on

- Quarantine
- Investment (particularly in natural resources)
- Movement of Natural Persons (visas)

Malaysia Australia lags behind NZ

Malaysia has been giving high priority to completion of its FTA discussions with Japan and New Zealand.

Things are moving more slowly with Australia.

The Services aspects are especially difficult, with no resolution yet in sight on the Positive or Negative-list approach. Australia is unwilling to accept any services offer from Malaysia that is not clearly better than is available in the WTO. An inter-sessional meeting on Services is planned for mid-March.

It seems increasingly unlikely that these negotiations can be completed by mid 2006 as originally hoped.

ASEAN-ANZ FTA A web of complex negotiations

Progress in these “plurilateral” negotiations is complicated and slowed by the overlap with a variety of bilateral FTAs, WTO negotiations and internal ASEAN arrangements.

Difficulties have also arisen due to the marked diversity of the ASEAN membership, the complexity in achieving common ASEAN positions, and the limited ASEAN negotiating resources. Some divergence of negotiating



positions is also appearing between New Zealand and Australia, especially in areas such as intellectual property. Australia seems to be taking a more ambitious approach, reflecting Australian industry interests.

The ASEAN countries are typically hesitant with respect to both Services and Investment liberalisation; they appear to accept, however, that negotiating progress must be made in "lockstep" in both the Goods and Services areas. The ASEAN countries remain adamant, on the other hand, that Government Procurement should be excluded from the FTA.

The original deadline of March 2007 is beginning to appear overly ambitious.

Japan FTA Study Low expectations

Australian officials are pushing for completion of the study ahead of the 2-year deadline. Japanese officials are displaying some ongoing reluctance, particularly on Agriculture. There may be some scope for a more constructive approach on services, but rapid progress

is not expected on any of the regulated services sectors.

A/US FTA First Ministerial Review

The first annual Review, at Ministerial level, has been further delayed till March, when Mr. Vaile is expected to visit Washington.

The review process is not without its frustrations. The US Government tends to view the FTA text as "fixed" by Congress, while the Australian Government considers the text should be a "living" document; a platform for ongoing bilateral progress.

In the margins of the Ministerial Review, second meetings will take place of both the Financial Services and Professional Services Working Groups. With respect to Financial Services, the US Securities Exchange Commission appears unwilling to engage directly with Australian firms.

Australian Services Roundtable members are hopeful of a more positive approach on Professional Services.

In conjunction with the 2nd meeting of the Working Group, Australia is seeking to arrange a joint Workshop with relevant professionals, professional bodies and regulatory agencies. A number of Australian Services Roundtable members are planning to attend. The aim is to build support for initiatives to achieve Mutual Recognition Arrangements by clarifying the barriers and helping to create new networks of professionals within which on-going discussion of Mutual Recognition issues can take place. The initial Workshop will focus on:

- Legal Services
- Engineering
- Accountancy

Singapore FTA Can we improve it?

The second annual review is due during 2006. Industry comments to DFAT are invited by email to Singapore.fta@dfat.gov.au.

There are early indications that Singapore may be interested to pursue Mutual Recognition Agreements in Professional Qualifications.



Thailand FTA

The TAFTA text does not include a general MFN provision. As a result, Australia's FTA preferences have already been eroded by subsequent Thai FTAs with other trading partners.

The Review Commission established under the FTA met in November 2005.

There was agreement to take a further look this year at Services, Government Procurement & Competition Policy. A forward program was agreed of Workshops and industry consultations.

Services Statistics

The Australian Services Roundtable participates in the ABS International Trade in Services User Group. It is a disappointment that despite a high level of interest from both industry and Commonwealth and State Departments, the ABS has not obtained new funding from Cabinet for globalisation work. The ABS is nevertheless trying to push ahead to improve its conceptual framework for Foreign Affiliates Statistics. A paper should be available in March.

Letter to the Indian Finance Minister

Along with a variety of financial services industry associations from around the world, the Australian Services Roundtable wrote last week to the Indian Minister of Finance to lobby for an increase in the equity cap on foreign investment in insurance.

A copy of the letter is available on request from assistant@servicesaustralia.org.au

Current expectations are that a proposal to raise the FDI cap on Insurance will probably not be considered until the monsoon session of Parliament later in this year, rather than the current budget session.

Anti Dumping-Material Injury

At the end of last year, the Australian Services Roundtable wrote to Senator Ellison, Minister for Justice and Customs.

We expressed a number of significant concerns with respect to a revised draft Ministerial Directive on Material Injury in Dumping

and Countervailing investigations.

We are concerned by what we consider an inadequate public consultation process associated with revision of this Directive.

We consider, moreover, that aspects of the revised draft would not be consistent with Australia's obligations under the WTO.

We have not yet had a reply from the Minister. A copy of the letter is available on request from

assistant@servicesaustralia.org.au

Board of Directors

Dr Vince Fitzgerald is re-elected President. Mr Peter Walsh is re-elected Vice President. The Treasurer is Mr. Phillip Kelly, Northcote Management.

Mr Andrew Stoler, Executive Director of IIB&L University of Adelaide is newly elected to the Board.

Mr John Kranenberg, Executive Director of SPAN is appointed as an Alternate to the Board.

Date of Next Issue; March 2006