



AUSTRALIAN CHAMBER OF
COMMERCE AND INDUSTRY



Submission to the Senate
Inquiry into the Indian
Ocean region and
Australia's foreign, trade
and defence policy

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1. EXECUTIVE SUMMARY

ACCI welcomes the opportunity to provide our views into the Senate Inquiry into the Indian Ocean region and Australia's foreign, trade and defence policy.

ACCI has been engaged with DFAT on the issue of the Indian Ocean Rim since the establishment of IOR-ARC in 1997. ACCI believes that the Indian Ocean Rim region is a significant opportunity for Australia and Australian businesses and it is an area and a community which has been neglected in policy terms for too long.

While the focus of Australia Government and business over recent decades has been on Asia and particularly focussed on the development China, this now needs to expand to take in our interests on the north and western sides of Australia to also take in the opportunities of the development of India, the Middle East and Africa.

The Senate Inquiry is timely, particularly in the light of the Australia Government on consideration of "Australian in the Asian Century" white paper and with the current negotiations of bilateral free trade agreements with India, The Gulf Cooperation Council, and Indonesia.

It appears to us that the India Ocean Rim has languished as a policy and trade focus, and that past Australian policy failures such as mismanagement of attitudes towards international students, workers and investors and the live cattle debacle have overshadowed any progress on cooperation within this region. It is now time to develop a strong ambition for this region and our interests within it. Australia will become the Chair of this region grouping in 2013 and we should have an ambitious agenda and ideally be seeking a regional free trade agreement as the major goal.

2. ABOUT ACCI

2.1 Who We Are

The Australian Chamber of Commerce and Industry (ACCI) speaks on behalf of Australian business at a national and international level.

Australia's largest and most representative business advocate, ACCI develops and advocates policies that are in the best interests of Australian business, economy and community.

We achieve this through the collaborative action of our national member network which comprises:

- All state and territory chambers of commerce
- 28 national industry associations
- Bilateral and multilateral business organisations

In this way, ACCI provides leadership for more than 350,000 businesses which:

- Operate in all industry sectors
- Includes small, medium and large businesses
- Are located throughout metropolitan and regional Australia

2.2 What We Do

ACCI takes a leading role in advocating the views of Australian business to public policy decision makers and influencers including:

- Federal Government Ministers & Shadow Ministers
- Federal Parliamentarians
- Policy Advisors
- Commonwealth Public Servants
- Regulatory Authorities
- Federal Government Agencies

Our objective is to ensure that the voice of Australian businesses is heard, whether they are one of the top 100 Australian companies or a small sole trader.

Our specific activities include:

- Representation and advocacy to Governments, parliaments, tribunals and policy makers both domestically and internationally;
- Business representation on a range of statutory and business boards and committees;
- Representing business in national forums including Fair Work Australia, Safe Work Australia and many other bodies associated with economics, taxation, sustainability, small business, superannuation, employment, education and training, migration, trade, workplace relations and occupational health and safety;
- Representing business in international and global forums including the International Labour Organisation, International Organisation of Employers, International Chamber of Commerce, Business and Industry Advisory Committee to the Organisation for Economic Co-operation and Development, Confederation of Asia-Pacific Chambers of Commerce and Industry and Confederation of Asia-Pacific Employers;
- Research and policy development on issues concerning Australian business;
- The publication of leading business surveys and other information products; and
- Providing forums for collective discussion amongst businesses on matters of law and policy.

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3. INTRODUCTION

ACCI welcomes the opportunity to provide our views into the Senate Inquiry into the Indian Ocean region and Australia's foreign, trade and defence policy.

ACCI in its response to the Australia in the Asian Century white paper noted that this title was too limiting and we needed to recognise "Australia in the Global Century". The "Asia" envisaged in the white paper process is a broad one which includes India and nations to our north west. It doesn't though consider our interests in Africa and the Middle East. It is important that this Senate inquiry considers our interests in the context of the other inquiries being held concurrently.

In our Asian Century response we also noted that the development of "Asia" as the focus of the report is really a recognition that to our immediate north and west is an enormous population who are increasingly wealthy and educated. In short and not sophisticated terms the aspirations of these developing countries is to be "developed". Perhaps not explicitly "western", but certainly well fed, clothed, have good jobs and live a prosperous lifestyle. This comment is also true of Africa and the Middle East – the Indian Ocean Rim countries.

Despite the geographical truth, in economic terms, Australia is not an island. The business environment in Australia is influenced by the collective of stimuli both domestic and international, as is the case with all other countries. Australia though, with a relatively small domestic consumer base, increasingly relies upon trade with the world in order to maintain its standard of living and economic prosperity. This same global trade ensures that consumers in Australia benefit from the least cost items which reduce the costs of living from that if we were entirely reliant on a closed economy.

The benefits from an open economy though mean that there are also challenges which need to be managed. Liberalised trade needs to be matched with liberalised internal policies including those related to the labour market, regulatory constraints on business and the need for a harmonised domestic Australian economy.

Increasingly business is mobile and agile and investment will move around the world to the place where it is most efficient for that business over the required period for investment. This is a complex decision set, but Australia must recognise that our primary challenge is to maintain a globally competitive business environment, and that this doesn't mean that the past will reflect the future. Some sectors of the economy will be sustained for a long time to come

where we have a competitive advantage, while other sectors will change and may no longer exist where these cannot compete against global competition.

It is important that we reflect upon the impact on Australia as India and other nations within the Indian Ocean Rim development. Much as we have seen over the past decade, tremendous benefits from the rise of countries in Asia, so to we must be prepared for the opportunities that will arise from the development of the Indian Ocean Rim countries.

4. WHERE IS THE INDIAN OCEAN RIM?

Much like considering "Asia", the Indian Ocean Rim and the countries with frontage to the Indian Ocean can be surprising. They include:

Comoros		Kuwait
Djibouti	Bahrain	Malaysia
Egypt	Bangladesh	Maldives
Eritrea	United Kingdom	Oman
French Southern lands (Mayotte and Réunion), France	British Indian Ocean Territory (Chagos Archipelago)	Pakistan
Kenya	Burma	Qatar
Madagascar	Christmas Island and Cocos (Keeling) Islands, Australia	Saudi Arabia
Mauritius	India	Sri Lanka
Mozambique	Indonesia	Thailand
Rodrigues	Iran	Timor-Leste
Seychelles	Iraq	United Arab Emirates
Somalia	Israel	Yemen
South Africa	Jordan	
Sudan		Antarctica
Tanzania		Australia



The **Indian Ocean Rim Association for Regional Cooperation (IOR-ARC)**¹ was established in 1997 to promote cooperation in the Indian Ocean region.

It seeks to expand mutually beneficial cooperation through a consensus-based, evolutionary and non-intrusive approach. IOR-ARC is the only regional forum linking most countries on the Indian Ocean rim through an annual Foreign Ministers' meeting.

The Association comprises 19 member states:

¹ http://www.dfat.gov.au/geo/indian_ocean/regional_orgs/ior-arc.html

- Australia
- Bangladesh
- India
- Indonesia
- Iran
- Kenya
- Madagascar
- Malaysia
- Mauritius
- Mozambique
- Oman
- Seychelles
- Singapore
- South Africa
- Sri Lanka
- Tanzania
- Thailand
- United Arab Emirates
- Yemen

Dialogue partners

The Association also has 5 dialogue partners who are not members but have expressed an interest in the region:

- China
- Egypt
- France
- Japan
- United Kingdom

We also understand that Turkey has applied for dialogue partner status.

Observers

The IOR-ARC has agreed to accept the Indian Ocean Tourism Organisation and the Indian Ocean Research Group as observers.

One aspect of the Indian Ocean Rim grouping is that of overlapping interests with other major groups that Australia is a member of or has an interest in. These are reflected in the following table. As a number are already partners with Australia in bilateral or regional preferential trade agreements. Australia has also taken the step of allowing preferential access to our markets for least developed countries (LDC's), some of whom are within the Indian Ocean Rim.

These prior agreements should lend themselves to the development of an Indian Ocean regional trade agreement perhaps using the step wise precedent of the Trans-pacific partnership agreement (TPP) which has allowed for a starting nucleus of interested countries to begin the negotiations, with other parties coming in as the discussions matured. This is also the approach currently being championed by the Australian government towards the WTO where interested parties are being encouraged to attempt to develop an agreement in the sectors they can agree on – such as services.

Country	IOR-ARC	APEC	ASEAN (+3)	East Asia Forum	C'wealth	G20	OECD	AANZFTA	TPP	GCC	LDC
Australia	✓	✓		✓	✓	✓	✓	✓	✓		
Bangladesh	✓										
India	✓				✓	✓					
Indonesia	✓	✓	✓	✓		✓		✓			
Iran	✓										
Kenya	✓				✓						
Madagascar	✓										✓
Malaysia	✓	✓	✓	✓	✓			✓	✓		
Mauritius	✓				✓						
Mozambique	✓				✓						✓
Oman	✓									✓	
Seychelles	✓				✓						
Singapore	✓	✓	✓	✓	✓			✓	✓		
South Africa	✓				✓	✓					
Sri Lanka	✓				✓						
Tanzania	✓				✓						✓
Thailand	✓	✓	✓	✓				✓			
United Arab Emirates	✓									✓	
Yemen	✓										✓
China*	✓	✓	✓	✓		✓					
Egypt*	✓										
France*	✓										
Japan*	✓	✓	✓	✓		✓	✓				
United Kingdom*	✓				✓	✓	✓				

* = Dialogue partners

India is the current chair of the IOR-ARC Ministerial Council with Australia as Vice Chair. In November 2013, Australia will take over as Chair for a 2 year period.

Australia should, in our view, take these leadership roles very seriously and attempt to drive an ambitious advancement of the agenda for this group. It would appear that in the past the leadership has lacked the capacity to realise the opportunities for the region. It may also have been a reflection of the maturity and development of the group.

Australia should champion a strong and ambitious development of the Indian Ocean Rim regional economy through the IOR-ARC in the first instance, but if that mechanism is not suitable for this task then we should develop other regional groupings of like-minded and interested countries to progress our interests in this region.

The Australian Chamber of Commerce and Industry has been a partner to the Federal Government in relation to IOR-ARC for many years and we look forward to continuing in this role into the future.

5. POPULATION RELATED PRESSURE

There are estimates that the world population by 2050 to be somewhere in the order of nine billion people. Many of these will be in the Indian Ocean region. Australia's population however will only be a small fraction of this and even if it were to double in that time, our entire population will still be roughly equivalent to that of a single major mega city which exists in other countries.

However, Australia, as a rich country, is and will remain a target destination for foreign goods and investment and with a low population paying relatively high wages, will remain a sought after destination for migration and for short term holiday visitations.

The growth in the Indian Ocean Rim countries will continue to drive demand for Australian products, particularly for food, minerals, energy and services.

6. FOOD

As the world population grows, demand for food will dramatically increase. Australia is currently a major supplier of some of the basic foodstuffs, particularly grains, oilseeds, meat and dairy products along with other discretionary products such as wine and processed products.

Australia's capacity to produce food to contribute to satisfying world demand is limited. At present in most years we have exportable surplus production; however as the recent drought conditions demonstrated, Australia is not always a reliable supplier.

The Food and Agriculture Organisation defines food security as:

"Food security exists when all people, at all times, have physical, social and economic access to sufficient, safe and nutritious food that meets their dietary needs and food preferences for an active and healthy life²".

Food security, should not, however, be confused with food self-sufficiency.

As the growing world population also becomes wealthier, their dietary habits change. Poor people consume grains, whereas wealthier people consume protein from meat and dairy. While Australia produces and sells all three of these, the production of meat and dairy in vast quantities, requires the consumption of grain by the livestock. Thus it may be that over time, Australia's export profile may change as we potentially become a less

²The State of Food Insecurity in the World. FAO. 2010

important supplier of grain to the world but a more important supplier of meat and dairy protein sources. This, along with increased demand for energy and utilising grain as a raw ingredient in fuel production around the world, may have some very interesting ramifications for food commodity prices into the future.

Australia has highly skilled farmers and people involved in their support networks, from researchers, to input suppliers and output marketing networks. Global demand for food will see continued foreign investment in Australian food production systems, including farms and up and downstream aspects of the supply chain. The world's nations are looking for ways to improve their production systems. Many are inefficient and suffer from historical lack of investment, but also a dearth of appropriate skills. Australia should support Australian farmers and agribusiness to become investors and service providers into foreign countries so that we can assist to improve global food production around the world and not just from Australia.

The India Ocean Rim should be regarded as a valuable developing target market for Australia's agricultural products as well as a target for expansion of our agrifood sector as a service provider and investor.

7. ENERGY

Australia is a major supplier of energy to global consumers, particularly coal, natural gas and uranium. Notwithstanding attempts by Governments to "decarbonise" their economies and incentivise so called "green growth", the world will remain reliant on Australian and other sources of fossil fuels for some time to come.

At present no economically viable source of transportable energy has been found. For all of the attempts of utilising "renewable" energy sources, the single limitation is transportation. That is if each country attempts to be self-sufficient in energy, the result will be a massive overcapitalisation in generation facilities in order to cope with the inefficiency of the generation systems.

In the event that a major breakthrough in renewable energy is found and this in turn significantly reduced fossil fuel (specifically coal and natural gas) use globally, then the Australian economy will suffer a major economic shock which would have profound long term impacts on our economic performance.

On the other hand, nuclear energy is a proven non carbon based energy source and so a major uplift in the reliance on nuclear energy around the world would significantly benefit the Australian economy. Of course providing

the raw material for nuclear energy also creates the responsibility for dealing with the waste, although there is no axiomatic link, and Australia should be considering more strongly the opportunities in the handling and storage of spent fuel.

The recent changes to our export policies for Uranium in respect of India will assist to unblock some of the impediments to advancing bilateral trade between India and Australia and this may also prove catalytic in respect of a stronger attitude towards a regional free trade agreement for the Indian Ocean Rim.

The Indian Ocean is a major conduit for energy distribution. With Australia and Indonesia at one side and the Middle East on another along with a strong development potential across most of the region, the Ocean will continue to be a major focus for transportation of the world's energy sources.

Correspondingly it also needs to be a focus for security and protection of these major transport routes, together with the important resource fields both terrestrial and marine.

8. AUSTRALIAN COMPETITIVENESS WITHIN THE INDIAN OCEAN RIM

The Australian economy continues to record solid growth against a steadily deteriorating global economic backdrop. Trade linkages to a dynamic and fast growing Asian region will not leave Australia immune to the impact of a downturn in European growth. Turmoil in financial markets stemming from Europe has already badly eroded business and consumer confidence and led to pressure in offshore markets for bank funding. Australia also faces indirect exposure to a contraction in European economies through the heavy reliance of our major trading partners on that region as an export market. Moreover, commodity prices are likely to be adversely affected by slower global growth and disruptions to the stability of financial markets.

At the same time as storm clouds gather offshore, the domestic economy is being subjected to profound pressures for structural adjustment. The terms of trade have risen to record levels for a sustained period as a result of elevated world prices for key commodity exports like coal, iron ore and gas. Investment in the mining sector is booming in response but the downside is being felt by other export competing industries as they struggle in the face of a marked appreciation of the Australian dollar. The extent of the mining boom is such that growth in the economy unrelated to resources is subdued and in some sectors activity is contracting.

The Australian economy is also suffering from an extended period of much diminished productivity growth and eroding competitiveness. The source of this potentially adverse impact on living standards is difficult to determine exactly but there are clear domestic policy options before the government that will improve productivity growth. A genuine commitment to an ongoing program of structural reform would lift living standards and put Australia in a better position to deal with longer-term fiscal pressures associated with the ageing of the population and rising health costs. Moreover, re-considering recent policy decisions that will prove detrimental to productivity should be an option. Prominent amongst them are the unilateral introduction of a carbon tax, the rollout of the National Broadband Network in its current form and an industrial relations system that diminishes workplace flexibility.

Currently, many commentators are talking about the decline of the manufacturing industry, due to elevated level of the Australian dollar and domestic economy cost pressures. However, manufacturing has been declining in all developed countries for decades, as goods made with a high labour component move to developing countries with cheaper labour.

The resources sector has been a stand out growth sector for some time; however, mining is not simply about digging holes. As a result, while one section of the manufacturing industry may be in decline, another section, one that produces highly specialised mining equipment is expanding rapidly, and will continue to do so.

Many Australian firms are now diversifying rapidly into mining services to attain a portion of the market share. Legal, accounting, project engineering, software and finance companies are all building specialist resource operations seeking resource skills and developing designing and producing hi-tech mining equipment and servicing the support industries. Additionally, the resource processing industry as a part of the manufacturing industry demonstrates that there are positive downstream effects from increased mining activity. In this way Australia is developing a cluster of internationally competitive firms based on mining services.

Additionally, infrastructure projects that further develop road, rail or ports or other tangible assets aid in nation building and can be used by many industries once completed, not just the mining sector.

Therefore, the exponential growth of the mining industry should not be to blame for the decline in other sectors, rather, it shows that the needs of the market are changing and that Australian companies need to adapt to reap in both social and economic benefits. The mining boom, in fact, needs to be nurtured to continue its growth, so that Australian companies in all industry sectors can benefit. The key challenge is to ensure that the network of Australian support businesses also grows and “coat tail” the mining companies as they develop new sites around the world.

A challenge for the Australian government is how to ensure that it is Australian firms that are moving into the global sphere and not just Australian firms being taken over by more financially powerful international players. This is an issue of critical mass and scale. There is a risk that Australia could simply become a branch office of multinational firms where the key decisions about business investment in Australia are made elsewhere.

With the exception of the banking and mining sectors, there are few industries where an Australian firm is the dominant global player. In many ways this is a result of Australian consumer laws that support domestic competition, but fails to generate companies of sufficient scale to enter the global marketplace as a major player.

The Government must ensure that the Australian economy is a place from which globally competitive companies can develop and thrive. This means ensuring that the inherent costs within the Australian economy are low and wherever possible, regulation and constraints are removed.

Failure to do this will mean that businesses will increasingly offshore their business to places where they can remain competitive and thrive in a global business environment. If they continue to persist with a domestic base that is uncompetitive, then they will simply run down their capital until they are unviable and close or are sold to foreign owners.

While we understand the political sensitivity in this, it should also be an objective of industry policy to support Australians retaining ownership of businesses that may move to foreign locations in our region as well as retaining the underlying intellectual property and the receipts flow of the successful business.

This model has been utilised well by many other countries and is the reason Australia has some industries now such as Ford, Toyota and General Motors who all decided to locate manufacturing plants in Australia rather than attempt to service our market from Japan or the USA. It is a logical progression that Australia should seek to secure value from our own companies developing manufacturing and service centres in locations such as those within the Indian Ocean Rim as well as within our shores.

Australia should be well placed to compete in the Indian Ocean area against the major global players who have developed in Europe, North America and Asia. Our proximity to the region should provide us with a competitive advantage in terms of transport so long as we can control the other costs within our economy and remain competitive.

Our services sector is also well advanced when compared to the Indian Ocean rim competitors. Our standards of education and skills should place us with a significant advantage at present. Our services sector needs to be

supported and encouraged to focus on opportunities arising in the Indian Ocean Rim region and not have all of our focus on Asia.

Aligned to this of course, is the need to continue to seek bilateral trade and investment treaties to lower barriers and support Australian businesses moving into foreign countries.

9. HUMAN CAPITAL

Australia faces a substantial labour shortage in a number of key industries, for both semi-skilled and skilled occupations, with the local labour market unable to satisfy this demand. This is a major obstacle to economic growth and will limit the ability to take advantage of the opportunities that growth in the Indian Ocean region will offer.

At the most concerning end, our members report that some factories and farms are struggling to remain operational, and that there are a number of projects in the pipeline which are waiting on a labour force to commence work. Major mining companies are also warehousing staff during lags between projects, knowing that they cannot let them go in the interim.

With the current mining boom, this shortage of skilled and unskilled labour has significant long-term ramifications for Australia's prosperity, creating substantial business challenges in recruiting, maintaining and retaining a skilled and sustainable workforce to meet Australia's ongoing needs.

Post the GFC, employers have consistently expressed concerns about skills shortage, including the Victorian Employers' Chamber of Commerce and Industry, which stated in 2009 that "The prominence of demographic change and skill shortages has recently been overtaken by the economic downturn of the last 12 months. With unemployment increasing over that period, it would be easy to assume that we no longer have a labour or skills shortage problem. However, skill shortages still exist in many industries and the reality of Australia's ageing workforce means we face a structural deficit of workers over the next 15 years."³

A shortage in labour in certain regions and industries has dramatically increased the wage rates even in the lowest of laborious duties due to limited supply. In the absence of qualified personnel to fill these skilled and semi-skilled occupations, sustained unmet demand for workers will constrain

³ Workplace Future: Realising Our Human Capital Potential Victorian Employers' Chamber of Commerce and Industry 2009 [ONLINE]
http://www.vecci.org.au/Advocacy_and_Representation/Summit_2009/Documents/pdf_docs/Workplace.pdf (accessed 29 August)

Australia's economic growth. This, compounded by projections that without immigration and a significant improvement in the participation rate, means Australia's labour force growth will almost cease within the next decade, presenting major challenges for Australia and its competitiveness in a global setting.

ACCI has developed a very strong agenda to address the participation rate, and encourage more employers to look at groups that have traditionally found it difficult to secure meaningful employment, including: mature aged workers, people with a disability, indigenous, and the long term unemployed. Although these initiatives are profoundly important, they need to work in combination with a broader approach to immigration. For example, Australia has a potentially underutilised skilled workforce in educated women who in many cases have and will exit the workforce for a time while they have children and then look to re-enter the workforce later in life. In other countries unskilled labour forms a domestic services workforce. It could be that the focus on skilled migration only in Australia will need to be broadened in specific sectors or regions by utilising less skilled migration to assist to overcome labour shortages that cannot be addressed through domestic supply.

Most industrialised countries have, since the 1990s, introduced or extended programs to recruit skilled workers on both permanent and temporary bases. A number have also introduced new niche-style, low-skilled guest-worker programs, designed to meet specific labour needs in particular industries or sectors of the economy. Australia's pilot guest worker programs, including the soon to be implemented East Timor/Broome agreement have really only scratched the surface of the possibilities in this area.

9.1 Temporary Migration and Aid Programmes

Labour migration programmes such as the Pacific Seasonal Workers Scheme are also part of an aid programme where the intention is to assist with skilling up a labour force who can return money to their local communities but also who can return home with greater skills and experience than was the case when they initially came to Australia.

This particular scheme is limited to Pacific island communities but could form the basis of a wider development programme, perhaps with a focus on developing countries within the Indian Ocean Rim region, where the temporary migration is for less skilled workers who can then gain skills,

experience and improved language skills which they can deploy on return to their homeland.

Similarly, the Enterprise Migration Agreements involve support for projects which may have a large international workforce over the laborious period of construction a long term commitment to reducing a project's reliance on overseas labour. These schemes provide for Australian workers to take over the operation and maintenance roles once the high staffing needs have subsided.

The Pacific Seasonal Workers Pilot Scheme could be extended to include many more countries around the Indian Ocean rim, increasing the potential foreign aid that Australia, as a prosperous nation, can provide and at the same time, increasing our ties with regional partners.

While there may be some controversy surrounding this initiative, Australia must understand that with the incredible mining boom currently occurring in our own backyard, we must utilise all of the resources that are available. If carefully monitored, the use of temporary overseas labour is not a risk to our living standards or to the favourable wages paid to Australian workers in the resources sector. It will in fact contribute to the growth of our country presently, and into the future.

Australia needs a demand driven program where skilled or unskilled temporary foreign workers are matched with genuine vacancies, and are able to contribute immediately to the Australian economy. Such a scheme could potentially harness the worldwide supply of labour and provide Australia with much-needed nation building infrastructure.

9.2 Business Mobility

One of the important initiatives to be developed across the APEC grouping is the APEC business travel card scheme. This scheme assist regular business travellers who satisfy the application criteria, to gain pre-approved visa access and streamlined border transit procedures for the countries participating in the scheme.

The purpose of the scheme is to facilitate greater economic activity through assisting businesses to see an opportunity and move quickly through the business details without the time and expense impediments of meeting ad hoc country entry requirements.

A scheme such as this for the Indian Ocean Rim, perhaps modelled on the existing APEC card, would add immediate value to Australian businesses seeking to expedite business travel throughout the Indian Ocean Rim countries that wished to participate.

9.3 Cultural understanding and language skills

As Indian Ocean Rim nations develop and experience an increase in personal wealth, Australian business will increasingly do business with international customers, clients and partners. We should not be so presumptuous as to think that they should speak our language and understand us without a reciprocal approach on our part.

We have tremendous opportunities for development of tourism and Australia as a destination for business travellers with unique wildlife and scenery and modern world class business and entertainment facilities. These, though, are not enough if travellers don't feel welcome and cannot converse in the commercial transactions. They also may not want a totally "Australian" experience and may prefer to eat familiar foods and do familiar things as their culture and customs dictate or they desire. We must embrace people travelling to our land and remember that the "customer is always right".

To ensure that our workforce is equipped to deal with the coming rise of countries from within the Indian Ocean Rim we need to be equipped with appropriate language and cultural skills. This applies for businesses that rely on incoming foreigners as well as for Australians seeking to undertake business in other countries.

While English and French are commonly spoken throughout the India Ocean Rim, there is a wider range of languages and cultures which we need to be considering. This includes Arabic and African as well as Asian, language and culture.

Languages at school are an important part of any strategy. It is a challenge to win the enthusiasm of young people at age 8 through 14 to study a foreign language which is running against the tide of where their popular culture originates and their interests lie. Career benefits are too far ahead for them, and by the time they are focused on it, the learning of a new language in later school years is more daunting. ACCI supports a 10 year strategy to provide:

- ACARA to develop an Asian Language curriculum, which could be broadened to address the needs of Indian Ocean countries, for all students commencing in the early primary years;
- Training for more language specialist teachers;

- Additional language classes in schools, especially those in regional and rural areas;
- Ongoing teacher training and support; and
- Development of specialist curriculum for students who display advanced abilities in languages and cultural studies programs.
- Linkage between business engaged in international trade and schools, training providers and universities to promote language development and cultural awareness

We need to also recognise that unless the study of language is over a number of years at school, and is then practised beyond school with further study or travel, the benefit of the learning is often lost. Australia needs new thinking, new incentives, new opportunities for people of all ages to learn key languages using technology and a holistic engagement strategy. ACCI supports a review of funding in this area, and the redirection towards a new strategy of which ACCI would be keen to participate.

10. SERVICES

Similar to many advanced economies, services industries have become the most substantial sector in the Australian economy. The services sector accounts for more than 75 per cent of Australia's output, almost four in every five jobs in the economy, and around a quarter of our total exports.

In light of this, ACCI proposes that there should be a greater emphasis on trade in services in our various trade liberalisation initiatives. One of the greatest challenges in liberalising trade in services is estimating the impact of various "behind-the-border" restrictions in the form of sectoral and product regulations. Trade barriers typically encountered include; lack of recognition of cross border qualifications, restrictions on rights to practice, constraints on commercial presence, poor quality intellectual property rules, and protections and tax rules.

ACCI advocates that sufficient resources should be dedicated to conduct a detailed contemporary analysis on impediments to our services exports to the Indian Ocean Rim region, alleviate the barriers identified, and promote Australia's two biggest services export income earners – inbound tourism and education industries.

10.1 Education

At present education is one of the most significant sectors engaged in international services trade for Australia. Our universities along with our vocational education providers have done well in attracting students from other countries to study in Australia as well as developing alliances and directly establishing facilities in other countries. They are however not immune from competition and will need to adapt to the development of countries from the Indian Ocean Rim.

Our education providers at present probably have an early mover advantage and will always be attractive to our domestic students. It can be presumed though that over time this will be eroded as the institutions in other countries develop and service the needs of their local industries in a greater way. This is of course a good thing as Australian institutions will no doubt struggle to accommodate the several billion potential students that will arise from the developing nations of Indian Ocean Rim. The risk though is that Australia could cease to attract its fair share as students stay home or consider alternate institutions as they develop as competitors.

This also relates to the general acceptance of foreign students in Australia – as was seen recently with events involving students from India. Cultural insensitivity on behalf of a few in Australia can have a large and detrimental effect on long term commercial outcomes for our educational facilities, as well as business and national relationships in general.

Australia must remain a tolerant society and enhance our reputation within the Indian Ocean region in particular if we are to fully capture the opportunities available.

10.2 Future Workforce Implications

For at least the last decade, in the belief that our global competitiveness depends only on being smarter than our competitor countries, Australian Governments have focused almost exclusively on higher level skills – with COAG targets including higher percentages for degree and diploma qualified people. Although ACCI supports the development of higher level skills, and the innovation agenda, even more broadly, ACCI believes the focus should be on skills development at all levels.

No longer should Australia be under the impression that highly skilled jobs are not going to be lost offshore, or that we can with certainty outperform our neighbours in educational attainment. Recent international comparisons for language and literacy, and the enormous growth in university and diploma education in countries such as India and China should provide pause for

thought about our current strategies. Our workforce planning should include an analysis of the types of jobs that are “unexportable”- many of which are unskilled and semi-skilled jobs in the service sector. The difficulties already discussed that employers in this country have in attracting labour to semi-skilled (and perhaps some would say less desirable) jobs indicates that we need to be mindful of creating expectations in future generations of Australians as to what mix of jobs will be available to them.

The rapid development of the Australian services sector has provided a great deal of opportunity for our skilled workforce and often they are servicing an international client group. We should not though rest on our laurels that this is our future. With several million skilled graduates coming each year from the institutions across the Indian Ocean region, the global supply of people who are equivalent in skills and knowledge to Australians will be a major threat to our professional services businesses into the future.

For further information about Australian services sector see the ACCI Services Industries Blueprint available at <http://www.acci.asn.au/Research-and-Publications/Issues Papers/Economics/Services--The-New-Economic-Paradigm>

11. COORDINATED PROMOTION

It is widely recognised that Australia needs to market itself and its industries to the world and a great deal of public investment has been made in supporting various initiatives to promote “Brand Australia”. This is done generically as well as sectorially. Similarly the work of individuals and companies reflects on the overall reputation of Australia and its people.

Individual State Governments also market the key features and attributes of their respective individual States as the place for successful business in attempts to attract visitors and investment to their States.

Business groups then participate in trade missions and promotional activities within and without structured programmes depending on their interests.

All of this activity assists to broadly promote Australia and Australian businesses and it has worked reasonably well to this point.

There is a risk though that fragmented efforts are inefficient and that rather than adding value it begins to reduce value as international partners are confused or conflicting messages are developed.

Of greatest concern is that Australian Governments, State Governments and to some extent industry organisations are all developing and maintaining

international posts and “business development” services – often in the same markets.

The recent reforms of Austrade for example, while broadly supported by ACCI, could lead to State Governments and other groups all attempting to provide duplicated services in the “mature markets” in the wake of Austrade refocussing on “frontier markets”.

The Australian Government needs to continually monitor the effectiveness of public expenditure at all levels on generic “Australian business” promotion and should consider developing strong partnerships with business groups to deliver such services to avoid duplication and streamline the direct engagement with business.

Much potential exists for these promotional services to leverage the existing and well respected “Australian Made, Australian Grown” brand, campaign and product symbol. Coordination of this type would reduce fragmentation and also regulatory costs associated with multiple brands, symbols and labels being developed within government agencies and promotional arms at national, state and local levels.

Research undertaken as part of a major Government-backed export promotion between 2004-10 in Asia, North America and the United Arab Emirates, clearly established the powerful connection the logo has with Australia in export markets. As such it provides excellent umbrella branding for State and regional sub-brands.

12. ACCI MEMBERS

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