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Dear Ms Irvine

Review of Bilateral and Regional Trade Agreements – Productivity Commission

Universities Australia is the peak body representing Australia's 39 universities in the public interest both nationally and internationally. Universities Australia is pleased to provide the following submission to the Productivity Commission Review of Bilateral and Regional Trade Agreements.

Executive Summary

Trade in education is now a leading export for Australia. It has been a quite remarkable creation of the higher education sector largely within the last two decades. International education is important also for cultural and intrinsic educational benefits and for underpinning "soft diplomacy" for Australia in its international engagement.

In facilitating these benefits, Universities Australia points to the following aspects of the FTA process:

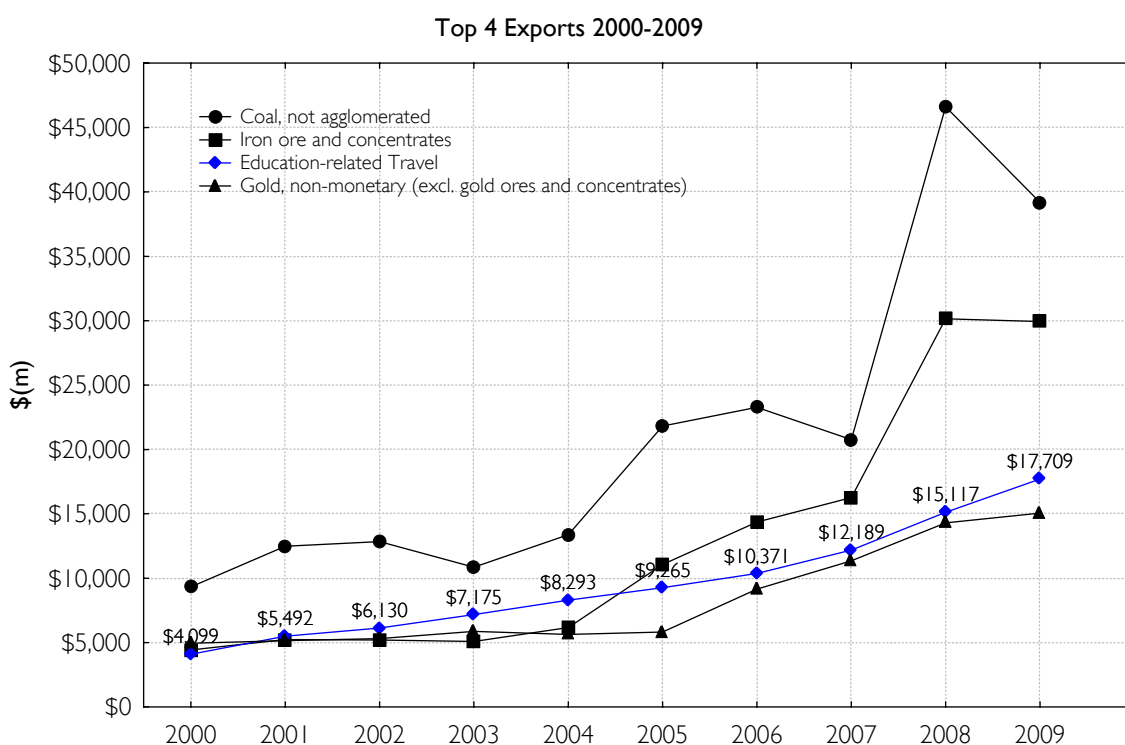
- Universities Australia supports the Australian Government's efforts in multilateral trade negotiation, but equally plans to continue in its engagement with DFAT on specific FTA negotiations;
- Universities Australia also will work on addressing related issues with in-country partners such as sister organisations, embassy contacts in Australia and AEI counsellors and Austrade representatives offshore;
- The role of Universities Australia has to date been outside of the actual FTA negotiations. But whether there is a level playing field in this and related matters is under examination; and
- Universities Australia can continue to assist government by providing an accurate understanding of what are the barriers to trade in education, and to keep our membership informed of activity and progress as it occurs and to encourage sectoral representation in these and related processes.

Naturally, individual universities, other higher education groups and the many individual academics who research in trade matters will also contribute in their own ways to the progress of bilateral and regional trade agreements in enhancing Australian living standards and wider well-being, with due allowance for the potential gains relative to effort, cost and focus on these activities.

Universities and Trade

Universities Australia considers it important to define clearly the position of higher education in Australia's trade policy on education so that benefit to the sector and to the nation can best be enhanced. This is especially so as responsibility for the conduct of trade policy negotiations is separate from the principal areas of government with knowledge of education and education policy and because trade negotiations are often necessarily conducted under conditions of considerable confidentiality.

Nevertheless education has been the success story among Australian exports over the last twenty years. As illustrated in the Figure below, education exports increased from \$12.2 billion in 2007 to \$17.7 billion in 2009, making education also the clear number one services export ahead of tourism. For the last decade, education exports have been growing by an annual average of 15.7 %, compared to 10.8% for total exports. This represents an incredible story of growth from an export industry that did not exist 25 years ago. It is a testament to the innovative spirit of Australia's universities that they have built an industry that contributes to Australia's prosperity on so many levels.



Source: ABS International Trade in Goods and Services December 2009 (5368.0) Tables 11a and 12b

This success, however, seems weakly reflected in public discussion of the economy, trade, and in the actual formation of trade policy itself. There is however greater self-consciousness now in education itself though not without ambiguity. Some in education are concerned at treatment of international education in industry and revenue terms. That said, the economic side is a reality and an important one, so that settings to enhance and secure that contribution remain important for the field and for the nation. This submission focuses specifically on the Free Trade Agreement process and how education is included within the bilateral Free Trade Agreements being pursued by the government.

Free Trade Agreements

While over past decades there has been substantial progress globally and regionally with multi-lateral free trade agreements, in more recent times bilateral free trade agreements have become a more common focus for much trade policy. It was the practice of the Howard government and one continued by the Rudd government, to pursue

bilateral Free Trade Agreements (FTAs) that build on the commitments of the stalled World Trade Organisation Doha Round multilateral agreement. The pursuit of bilateral FTAs is said to allow trade liberalisation with key partner countries while the more arduous task of finalising multilateral agreements continues.

Australia has existing free trade agreements with Singapore, Thailand, The United States of America, New Zealand, ASEAN and Chile. The government is also negotiating agreements with China, Japan, Malaysia and the Gulf Cooperation Council. Further they are conducting joint feasibility studies into FTAs with India, Korea and Indonesia.

The role of education in these agreements varies. In the case of Singapore, for example, Australia signed an FTA with Singapore in February 2003. As part of the Mortimer Review, the government sought feedback from industry (including universities) on the benefits to date of this FTA to their business. All university responses were submitted via Universities Australia and of those universities who submitted a response, no university considered they had experienced any benefits from the FTA. This is not to say that they had experienced any barriers to trade previously or had had any expectation of increased access following implementation of the FTA, only that the FTA had made no difference to their business with Singapore.

By contrast, the university experience in regard to the Chile Australia FTA is somewhat different. The recently signed FTA includes a chapter on cooperation. This chapter along with the government to government *Memorandum of Understanding on Education*, were a key impetus in the Chilean government seeking the involvement of Universities Australia as their partner in the delivery of the Chilean Bicentennial Fund Scholarship program in Australia. Therefore while the FTA does not specifically cover education, its signing has raised the profile of Australia in Chile and provided the basis for substantial increased activity in Chile by Australian universities.

Thus education can be important under FTAs. For Singapore this was not the case, but for Chile it proved to be so through the focus the FTA facilitated. The FTA in negotiation with China goes further with explicit consideration of education in the text of the agreement. The negotiation process, though slow, has enabled discussion of behind the border issues of specific concern to universities. Further, the recently signed agreement with New Zealand and ASEAN has enabled the removal of specific barriers to trade for universities. Examples include the Indonesian commitment to allowing foreign education suppliers, though in cooperation with local partners, to establish outside of Jakarta, in the cities of Surabaya, Bandung, Yogyakarta and Medan and the Malaysian commitment to enhancing temporary entry for higher education lecturers.

Universities Australia's role

It has been the practise of Universities Australia and its predecessor the Australian Vice-Chancellors' Committee, to make submissions to all proposals for FTAs and FTA Feasibility Studies. This process has involved canvassing universities for specific issues of concern for each country (such as the repatriation of funds, ownership restrictions, permission to work or qualifications recognition) and including these in the submission to government. Universities Australia then maintains contact with the Department of Foreign Affairs and Trade (DFAT) staff charged with negotiating the FTA, providing additional information as required and informing universities on progress as it occurs.

In all its submissions Universities Australia seeks strong and consistent representation of the services (specifically higher education) export industry, arguing that this should be a central consideration for Australian trade negotiations.

At the same time Universities Australia also makes the point that it is important that those countries with which we seek to sign an FTA see Australian universities as multi-faceted partners, not just narrow providers in some specific areas of education. Universities Australia's submissions emphasise the importance of mobility and exchange in that they lead to increased research collaboration, transferability of skills and facilitate the participation of our students in the global workforce.

There are inherent difficulties in this process as FTA negotiations are classified and DFAT staff state they are not able to provide proposed texts to groups such as Universities Australia, but rather, only able to report on general progress. DFAT does this latter through regular confidential briefings on FTAs in progress as well as publicly available updates covering more general issues, but there could be more collaboration in our view.

Universities Australia is also a member and serves on the Board of The Australian Services Roundtable. The Australian Services Roundtable is the peak business body for the services industries in Australia with the objective of securing

Australia's place within the global services economy. Our membership there ensures the interests of the education services export industry are addressed by the peak industry body in its engagement with government on both international trade issues as well as across the broader domestic agenda.

Nevertheless there does remain an issue for clarification as to whether inclusion of education exporters in trade promotion, trade consultations and trade policy negotiations is as effective as should be the case. It will be important through ASR and otherwise to benchmark sectoral participation to ensure that factors such as perceptions of who are "real exporters" do not unintentionally bias deliberations over getting trade policy right for Australia.

In this sphere the Bradley Committee Review of Higher Education in Australia has recommended that an independent agency be made responsible for industry development activities formerly held by Australian Education International (AEI). The government has acted on this recommendation and the 'promotion and marketing' responsibilities of AEI will be transferred to Austrade in July 2010.

The nuances of how this happens are crucial. The danger of a 'cash cow' philosophy emerging needs to be carefully watched. Consistency with education policy is essential and arbitrary and unexplained 'savings' taken in the transfer for support of the function need to be restored.

Resourcing and Priority

In focussing some university resources upon engagement with the Bilateral and regional Free Trade agreement process, Universities Australia has noticed that estimates of free trade gains from such agreements can be somewhat modest compared to official focus on other activities. There is a need to ensure that proper evaluation of benefits and costs informs official investment in these activities and that they do not become a self-perpetuating and self-referencing industry for a narrow group of participant official and industry beneficiaries. The maximum gain of benefit over cost must be sought.

The following table provides some guidance on one approach to assessing priorities:

Estimates of Long-run GDP Gains from Policy Options

Policy	Long-run GDP gain
Australia-Indonesia Free Trade Agreement	0.02%
Single National Workplace Relations System	0.05%
Bracks Motor Vehicle Reform Package	0.06%
COAG Human Capital Reform Agenda (health and schools)	3.00%
Bradley Higher Education Reforms	6.00%

Sources: Centre for International Economics (2008), Access Economics (2009), Productivity Commission (2008, 2007), KPMG Econtech (2009)

Conclusion

Universities Australia supports the Australian Government's efforts in multilateral trade negotiation, but acknowledges that in the face of continued delays in progressing the Doha Round, that bilateral FTAs represent a necessary way to progress trade liberalisation in the short to medium term. To that end, Universities Australia plans to continue in its

engagement with DFAT on specific FTA negotiations as well as work on addressing issues with in-country partners such as sister organisations, embassy contacts in Australia and AEI counsellors and Austrade representatives offshore.

Due apparently to the highly confidential nature of FTA negotiations, the role of Universities Australia has to date been outside of the actual negotiations. But whether there is a level playing field in this and related matters is under examination.

For the present Universities Australia can continue to assist government by providing an accurate understanding of what are the barriers to trade in education, and to keep our membership informed of activity and progress as it occurs and to encourage sectoral representation in these and related processes. Our own fraternal relations with like bodies in the other countries can also be used to inform our knowledge of attitudes and issues as seen by other universities.

Universities Australia welcomes the opportunity to discuss this submission with the government. Please feel free to contact Dr Glenn Withers, Chief Executive Officer, Universities Australia on 02 6285 8104 for further comment as required.

Yours sincerely



Dr Glenn Withers AO
Chief Executive Officer

References

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