

Review of Export Policies and Programs

Submission to the
Department of Foreign Affairs and Trade

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ENGINEERS
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Listing of Recommendations

As the excellence of Australian engineering companies has become more widely known across the globe, the amount of work being undertaken by Australian engineers overseas has increased. The Australian government has a significant and continuing role to play in supporting both the export activities of engineering companies and the individual mobility of engineers. In particular, the Australian government should seriously consider the following recommendations:

World Trade Organisation

The WTO/GATS has a significant role to play in creating a more open and predictable environment for international trade.

Recommendation 1: The Australian government should continue to pursue multilateral trading opportunities as a priority.

Recommendation 2: The Australian government should contemplate alternative negotiation options for services within the Doha Round including the value of moving away from pursuing a single undertaking with agriculture.

Free Trade Agreements

FTAs have the potential to distort trade flows and threaten the multilateral trading system. The WTO has put in place rules that seek to limit the potentially damaging features of FTAs. The current commitment of the Australian government to operate within these rules confirms the rational focus of Australia's trade policy

Recommendation 3: The Australian government should continue to refrain from entering into FTAs that could not be extended to the multilateral setting.

Mutual Recognition Agreements

The work of engineering professional associations towards international mutual recognition of university qualifications and licensing/registration needs to be supported by the Australian government wherever possible in FTAs under review (Singapore-Australia FTA or Australia-United States FTA) and future FTAs (Australia-Malaysia FTA).

This is particularly important because the MRAs negotiated by Engineers Australia including the APEC Engineer Register need to be embedded into a broader legal context like a FTA to ensure commitments are binding.

Recommendation 4: The Australian government should ensure that any FTAs they negotiate include a workable MRA on the domestic regulation of engineering services.

Recommendation 5: There is a need to review the work done by Engineers Australia in negotiating MRAs to ensure that these existing agreements are supported and enforceable under international law. Wherever possible, these agreements should be included in future FTAs.

Export Market Development Grant

The Export Market Development Grant Scheme is an important export promotion activity of the Australian government. The Scheme should be continued and strengthened to provide security to Australian exporters.

Recommendation 6: The Australian government should continue the EMDG Scheme while developing methods to increase the number of services exporters accessing the scheme

Recommendation 7: The capped annual budget of the EMDG Scheme should be reviewed to ensure that all eligible exporters receive the full value of their entitlements

Technical assistance to exporters

The Australian government needs to be more proactive in supporting engineering firms by providing information tailored to specific industries and countries on the types of non tariff barriers and regulatory hurdles operating in overseas markets and how they can be overcome.

The Australian government undertakes research into the impediments operating to restrict trade in engineering services internationally in order to participate in WTO/GATS negotiations. Opportunities to provide this information to Australian services providers should be considered.

Recommendation 8: Tailored information and technical assistance needs to be made available on the types of barriers operating in overseas markets, to help Australian exporters meet the standards required by other countries regulatory regimes.

Trade development resources

The Australian government needs to identify and promote opportunities to support Australian service exports to participate in overseas trade fairs and to identify and promote other measures to increase market knowledge, mutual awareness and mutual understanding of trade and investment opportunities between Australian engineering companies and overseas trading partners.

Recommendation 9: There is a role for the Australian government to support, facilitate and champion overseas trading opportunities for Australian exporters of engineering services, particularly when the markets they are attempting to gain access to are heavily regulated by overly burdensome licensing regimes.

Counting the value of services trade

More resources need to be invested in capturing trade in service statistics. The true value of trade in engineering services to the Australian economy is essentially unknown due to problems in the collection of services statistics. Until this is improved, it will be difficult to identify areas where trade in professional services, including engineering is under-performing, or to measure or predict the impact on trade volumes for changes in policy and regulation.

Recommendation 10: Significant improvements needs to occur for the collection of trade in services statistics so as to be able to focus on those activities where trade in engineering services could be increased.

Recommendation 11: The Australian government should support the Services Stocktake initiative of the Australian Services Roundtable as a priority

1. Introduction

Engineers Australia is the peak body for engineering in Australia, representing all disciplines and branches of engineering. Membership is now approximately 84,000 engineers Australia wide and Engineers Australia is the largest and most diverse engineering association in Australia. All Engineers Australia members are bound by a common commitment to promote engineering and to facilitate its practice for the common good.

Globalisation has led to increased integration of the world's economies and technical developments have driven the growth of traded goods and services. The ease with which people can now travel and communicate across international borders has made international transactions commonplace. In this environment, Australian engineers have the expertise and capabilities necessary to succeed in exporting goods and providing professional services in the rapidly growing international market place.

The international engineering community, including Engineers Australia, has invested a large amount of time and energy in developing and facilitating trade in engineering goods and services at a multilateral level, most significantly through the negotiation of mutual recognition agreements for licensing and registration. In this environment, Engineers Australia appreciates the opportunity to provide information to the *Review of Export Policies and Programs*.

Engineers Australia believes that the Australian Government's export policies and programs should embrace initiatives aimed to reduce barriers to trade and that opportunities to strengthen existing mutual recognition agreements should be embraced.

In 2006, Engineers Australia surveyed members to discuss the nature of global engineering and to build a profile of Australian engineering exporters. Two surveys were undertaken, one for individuals and one covering the activities of companies. Information was gained on the type, size, cost and length of projects being undertaken overseas, the international movements of members including what countries they work in and for what time periods, what barriers to trade they encounter and information on the internationalisation and outsourcing of engineering design services. A profile of the international activities of the Australian engineering profession can be found as Appendix A.

This submission outlines the survey work undertaken by Engineers Australia to profile engineering exporters. It also considers the current state of play in international trade negotiations, market access issues, trade development programs and services and the need for better data collection on the nature and operation of the services sector.

2. World Trade Organisation

Trade has assumed increasing importance as a basis of global economic activity. As international trade has expanded and economic interdependence has bound trading partners, the policy stance of one country has become a direct concern to other countries. The WTO, and the GATT before it, have presided over these developments.

A fundamental challenge for the multilateral trading system under the WTO is how to manage the growing diversity in economic characteristics, needs and priorities of its members.

This diversity needs to be managed so that all parties believe they are better off within the system, rather than outside it. It is the General Agreement on Trade in Services (GATS) that is of most interest to Engineers Australia.

The GATS agreement applies to all members of the WTO and as a result covers well over 90 percent of global services trade. By providing a basis for progressively reducing and eliminating barriers to international trade and requiring that member governments apply their laws, regulations and policies in a transparent and non-discriminatory manner, the GATS has a significant role to play in creating a more open and predictable environment for international trade.

While it is concerning that the GATS negotiations have stalled, also worrying is the number and quality of liberalisation commitments in services generated by the process thus far. The sectoral coverage of commitments and offers in many WTO members' schedules is small and many of the commitments that do exist are either subject to important limitations or fail to lock in the statutory or regulatory status quo. To harness the full potential of the GATS, the current negotiations will need to aim for a significant expansion in the number and coverage of commitments and for the progressive removal of existing limitations.

There are other problems facing the GATS negotiations. One of the existing weaknesses of the GATS is that the provisions dealing with domestic regulation are among its weakest, despite recognition that the harmonisation of domestic regulations would play a significant role in promoting and consolidating domestic regulatory reform and facilitate services trade. This is largely a reflection of the sheer novelty of the subject matter, but it also reflects the difficulty of developing effective multilateral disciplines in this sectorally complex and diverse area without seeming to encroach upon national sovereignty and unduly limiting regulatory freedom.

In any consideration of the future of Australia's export policies, the value of disconnecting services discussions from those on agriculture must be contemplated. With 80% of the Australian economy services based it must be considered whether it is in Australia's best interest to support a single undertaking within the Doha Round.

With 44 services offers currently on the table it would be a misfortune if those were to lapse due to negotiations permanently stalling in other areas of the Round. The Australian Service Roundtable (ASR) is calling for a consideration of plurilateral or critical mass negotiations on services and Engineers Australia is supportive of this approach.

World Trade Organisation

Recommendation 1: The Australian government should continue to pursue multilateral trading opportunities as a priority.

Recommendation 2: The Australian government should contemplate alternative negotiation options for services within the Doha Round including the value of moving away from pursuing a single undertaking with agriculture.

3. Free Trade Agreements

Currently, the global trading system is seeing not only increased multilateral interaction between countries under the WTO, but a sharp increase in regional free trade agreements (FTAs).

While regionalism and multilateralism have the potential to positively interact with each other, one of the most common questions asked is whether regional trading agreements help or hinder the multilateral trading system?

Generally, regional FTAs do have the potential to support the multilateral trading system, by allowing groups of countries to negotiate rules and commitments that go beyond what is possible at the multilateral level. Later, these agreements have the potential to feed constructively into WTO negotiations. Engineers Australia believes that it is sensible for the Australian government to continue to support the WTO multilateral trade liberalisation agenda while actively pursuing complementary WTO-consistent regional trade and economic agreements via FTAs.

However, Engineers Australia has been disappointed by the measures and methods used to increase and support trade in engineering services within FTAs so far. A clear example of this is FTA outcomes which do not deal with the domestic regulatory environment for professionals.

While an FTA may enhance trade in engineering services by increasing opportunities for professionals to gain access to the trading partners market through the relaxation of temporary migration procedures, many engineers are still unable to practice in the overseas country as a result of the licensing regimes in operation. In general, none of the FTAs negotiated by the Australian government have resulted in Australian engineers having their qualifications and work experience recognised by the FTA partner.

For Australian engineers, the continued lack of improvements in market access through the Australian government's trade agenda is disappointing. In 2006, Engineers Australia surveyed members to discuss the nature of global engineering and build a profile of Australian engineering exporters. Two survey's were undertaken, one of individual members and the other of companies. Over 80 percent of engineers surveyed supported the Australian Government's FTA agenda as outlined in Figure 1.

While engineers are generally supportive of international trade and attempts to streamline access to overseas markets via FTAs, the majority of survey respondents also indicated that they were not aware of any benefits that had accrued to them, or the companies they worked for as a result of an FTA.

Engineers Australia believes that this is in part a reflection of the frustration many engineers and engineering companies have in finding that FTAs have not resulted in the removal of the non-tariff barriers related to licensing procedures operating in many economies. Over 94 percent of survey respondents could not identify any benefits from the US, Singapore, Thailand or New Zealand FTAs. These results are outlined in Figure 2.

Given that FTAs should look to be more liberalising than the current status quo offered by WTO/GATS commitments, the Australian government must make sure that any FTAs they negotiate, successfully support the engineering profession by moving beyond GATS commitments to put in place effective mutual recognition agreements that remove registration and licensing barriers.

Figure 1: Proportion of engineers who support new FTAs

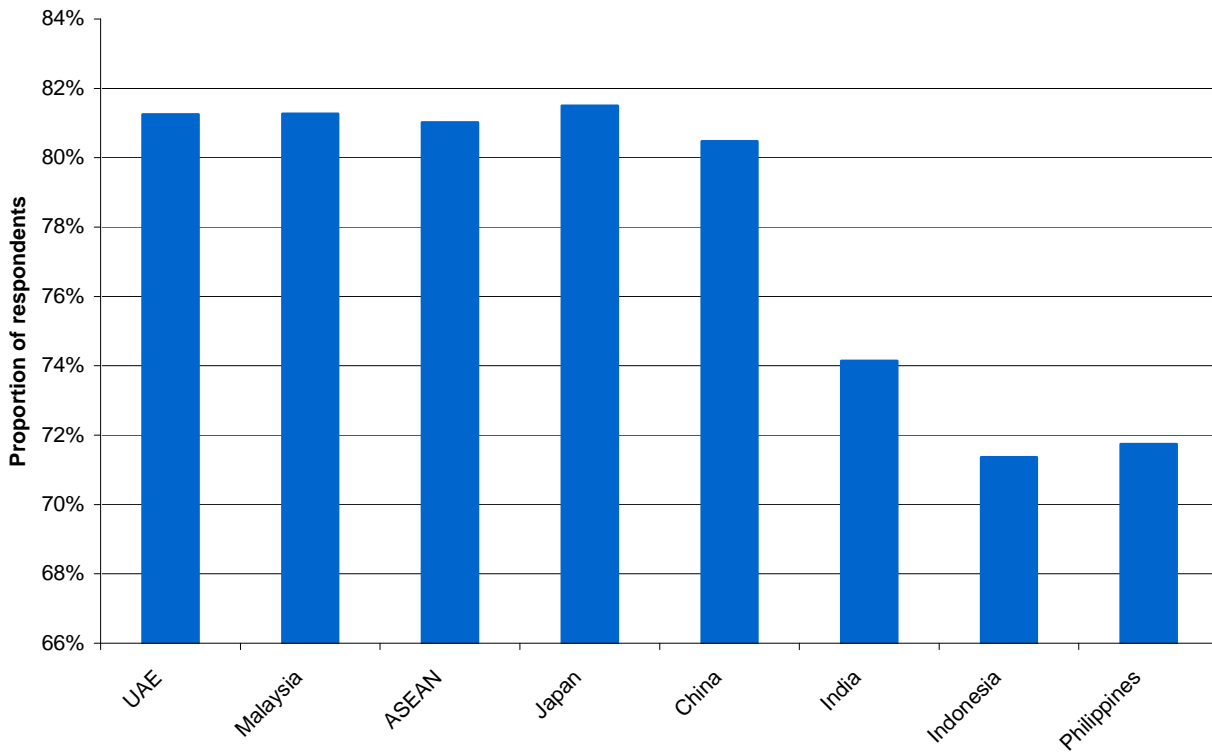
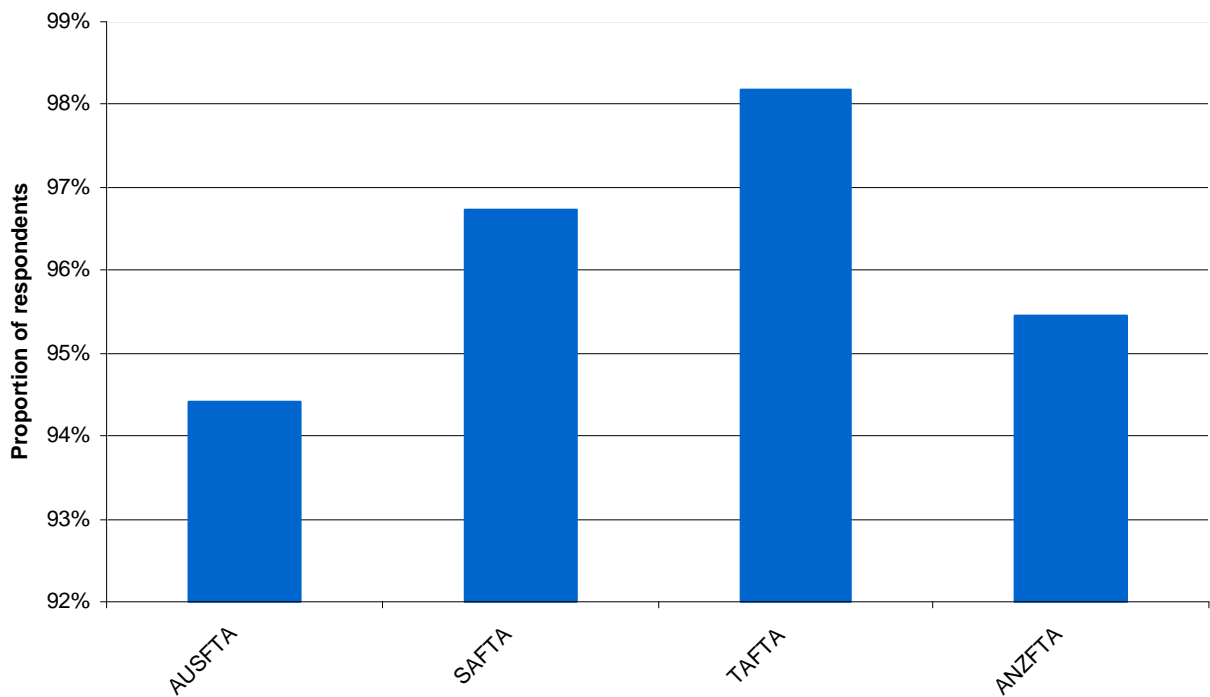


Figure 2: Proportion of engineers who believe no gains have accrued from FTAs



Free Trade Agreements

FTAs have the potential to distort trade flows and threaten the multilateral trading system. The WTO has put in place rules that seek to limit the potentially damaging features of FTAs. The current commitment of the Australian government to operate within these rules confirms the rational focus of Australia's trade policy

Recommendation 3: The Australian government should continue to refrain from entering into FTAs that could not be extended to the multilateral setting.

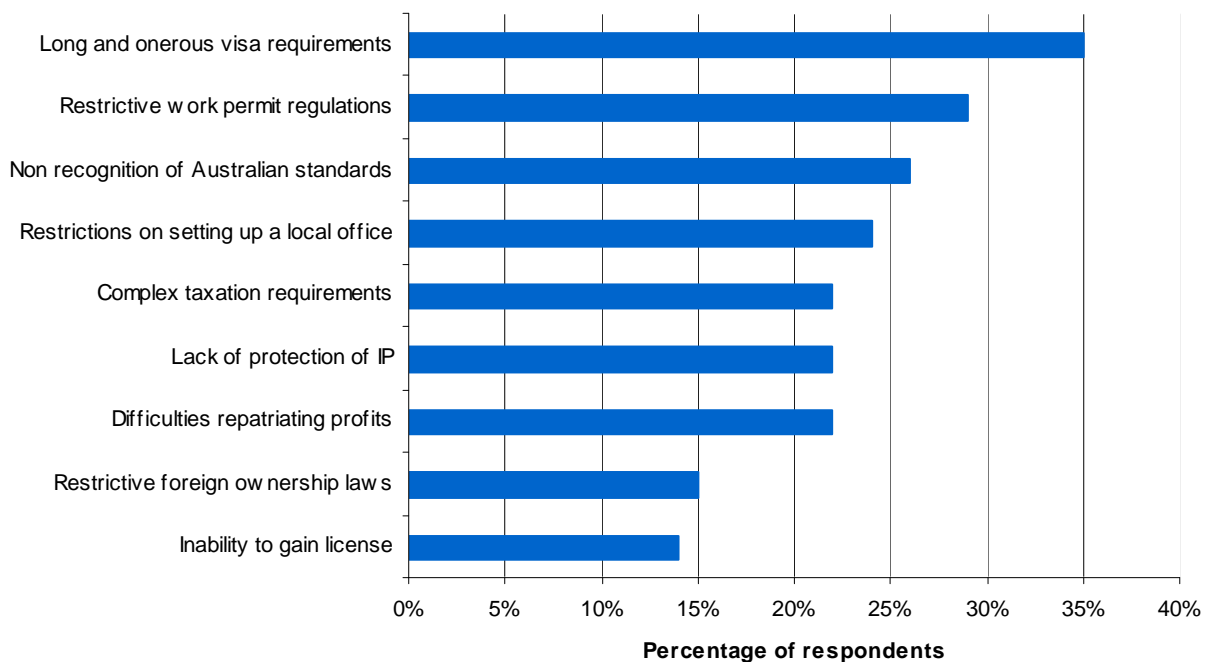
4. Non Tariff Barriers

As a result of globalisation, the economic performance of one economy is increasingly affected by the quality of the regulatory environment of its trading partners. Accordingly, it is becoming increasingly important that governments introduce, amend and operate their domestic regulation regimes with an understanding of the potential positive or negative effects on international trade.

Non-tariff barriers regularly occur after a service supplier has entered the market. These measures take the form of government regulation and are usually aimed at domestic policy objectives rather than trade policy objectives. As a result, there is usually little consideration of the effect of domestic regulation on market access for foreign service suppliers.

Major impediments to international trade in Australian engineering expertise arise from non-tariff barriers. Engineers Australia's survey results show that for both companies and individual engineers, obtaining visas and work permits, the non-recognition of Australian standards, and the inability to become licensed to practice in overseas countries, are the key problems facing them when attempting to undertake work overseas as outlined in Figure 3.

Figure 3: Companies ranking of most significant non-tariff barriers when working overseas.

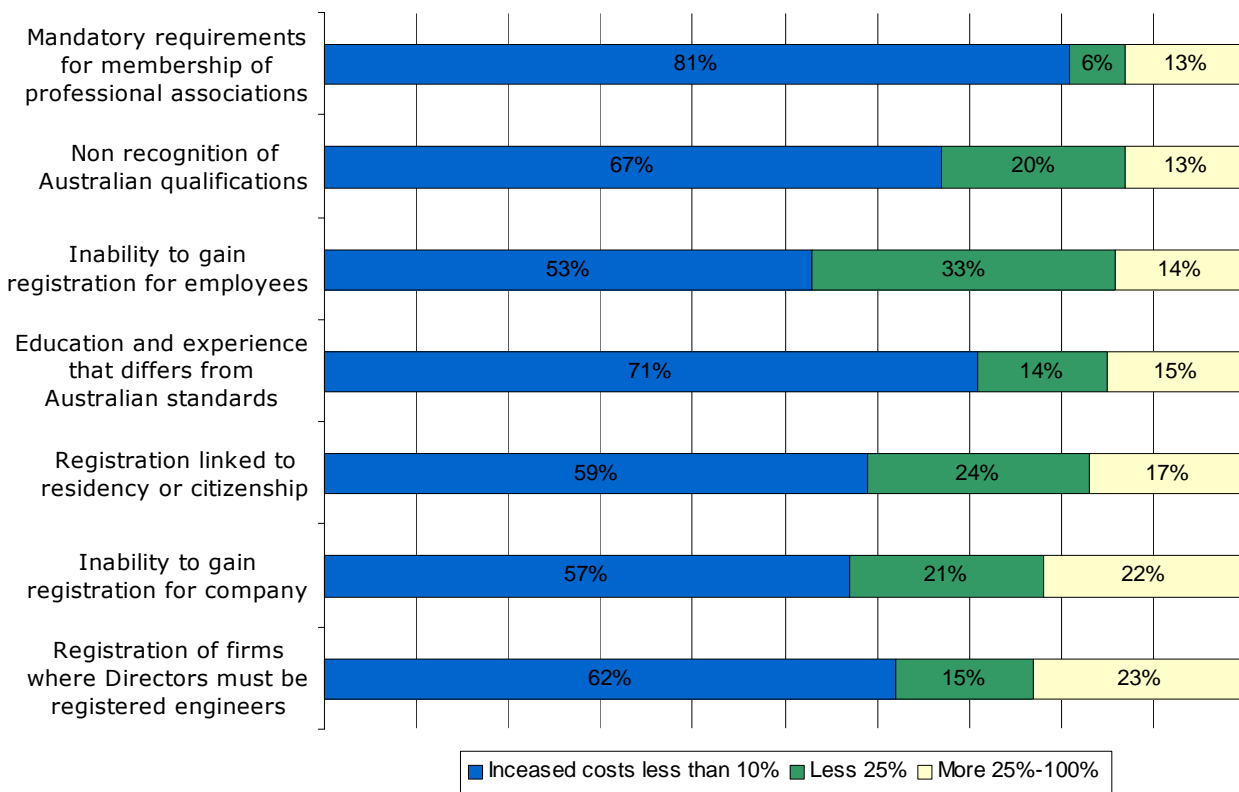


Thirty-five percent of companies indicated that long and onerous visa requirements were the most significant barrier. Twenty-nine percent identified restrictive work permit regulations and 26 percent the non-recognition of Australian standards as additional key problems.

In the Engineers Australia survey, when engineering companies were asked 'how much do non-tariff barriers increase the costs of doing business', 70 to 80 percent of companies believed that non-tariff barriers increased their costs by up to 25 percent.

The inability to gain registration for employees increased costs by more than 25 percent for 14 percent of companies, while the registration of companies where Directors must be registered engineers increased costs by more than 25 percent for 23 percent of companies as represented in Figure 4.

Figure 4: Increased costs of doing business attributable to non-tariff barriers



Engineers Australia believes that the Australian government needs to support initiatives to remove establishment restrictions working to limit the ability of foreign service providers to establish physical outlets in an economy and supply engineering services through those outlets.

Establishment restrictions regulating the entry of foreign service providers into a host country are immediate breaks to trade in engineering expertise. These restrictions may include: unpredictable applications of economic needs tests, restrictive quotas, restrictions on the nature of the services that may be provided by foreign professionals and membership of mandatory professional bodies limited to citizens.

The issue of the mutual recognition of professional qualifications only arises when foreign service suppliers have actually gained access to the market of a given sector. The experience within the European Union suggests that recognition of qualifications remains one of the most significant barriers to the movement of professional service suppliers, but only when establishment restrictions have been removed or met.

5. Licensing and Registration

Obtaining registration or a license to practice engineering in an overseas country can be a frustrating experience. This non-tariff barrier frequently prevents engineers and engineering companies from providing services in overseas countries and it is a barrier that is difficult to overcome as the way domestic regulation and licensing regimes are administered varies from country to country.

In most countries, engineering is an “accredited” profession and as a result, engineers are required by law to be licensed before they provide professional services or use the title “professional engineer”. Many other accredited professions such as accountancy and legal services are also subject to licensing requirements.

These licensing requirements can often operate as significant barriers to trade in professional services. This is because in addition to having professional qualifications, licensing requirements contain other conditions such as completing practical training, passing examinations and meeting language, good character and reputation, citizenship or residency conditions.

While several OECD countries, including the United Kingdom, Denmark, Australia, Switzerland and Finland, have no, or very limited legal restrictions on the provision of engineering services, the US, Canada, Japan and Singapore operate more restrictive licensing procedures.

The removal of these hurdles will rely on increasing the international recognition of qualifications and professional experience and the negotiation of mutual recognition agreements. These developments are an important means for professional service providers to gain international market access.

Divergence in the regulatory environment for engineering across countries may restrict market access and impinge on the ability of engineers and engineering companies to offer services in foreign countries. As a result, governments are increasingly recognising that advances in market access will result in little additional trade if the harmonisation of regulatory practices and the recognition of overseas engineering qualifications and practice experience are not undertaken at the same time. Despite this connection there has been limited international movement towards the harmonisation of regulatory practices and the streamlined recognition of overseas engineering qualifications and licenses.

The extent to which recognition of qualifications is a problem is likely to vary by sector and by country. Given the different regulatory environments operating for engineering professionals internationally, the most important issue for Australian engineering service providers becomes the clarity of local regulations and licensing requirements operated by foreign governments.

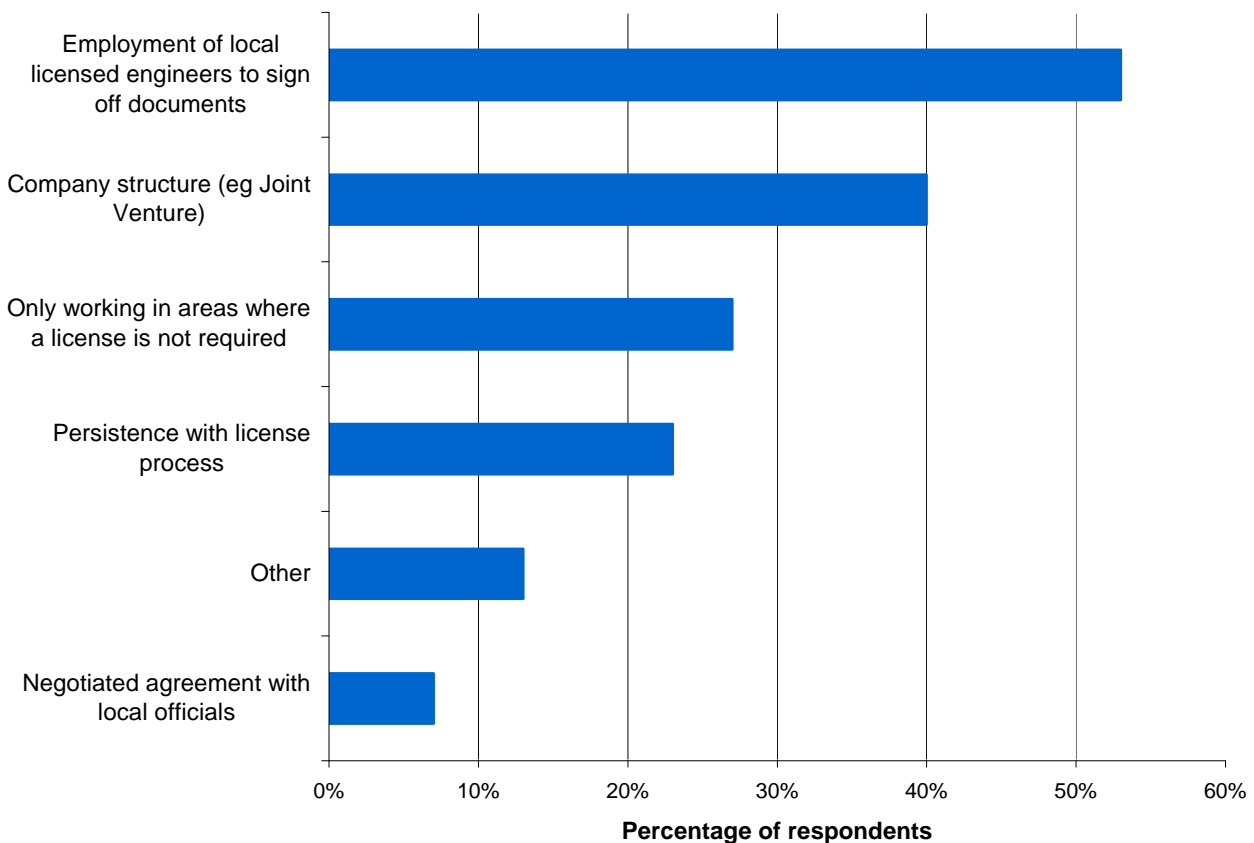
Instability and inconsistent application of regulation increases difficulties for companies operating in markets with which they are relatively unfamiliar. As the survey by Engineers Australia supports, many engineering professionals have been discouraged from pursuing projects in countries where regulations are unclear or ambiguous.

There is much that needs to be done to facilitate trade in engineering services, particularly when the ways companies are dealing with these barriers are considered. Barriers limiting the ability of the company and its employees to be registered in overseas countries seem to be particularly problematic. Fifty percent of companies employ locally registered engineers or choose a company structure - for example, a Joint Venture - in order to overcome registration or licensing problems.

What should be particularly concerning is that 27 percent of companies deliberately avoid undertaking work in areas where they would need to try and obtain 'in country' registration for their staff and/or directors, as outlined in Figure 5.

In some cases, Australian engineering companies are deciding not to pursue overseas opportunities because of the difficulties of gaining registration in overseas countries. In particular one company responded with the comment, *"For a small company like mine doing business overseas has often appeared too hard, hence the priority has been to focus on local business."*

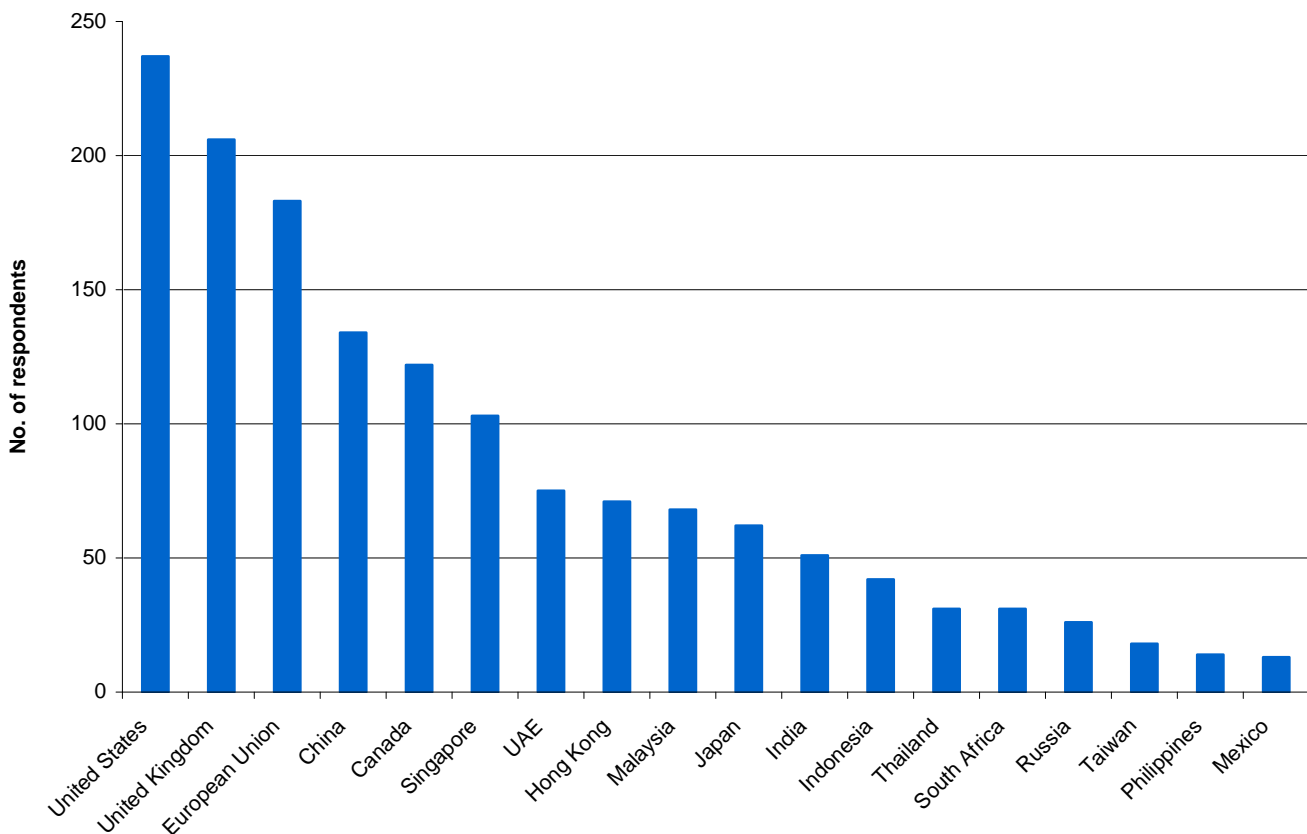
Figure 5: Methods used by companies to overcome licensing barriers



When asked to list priority countries for the removal of non-tariff barriers related to licensing/registration, the US and China were most often listed by companies, perhaps reflecting their market sizes. However, it is extremely difficult for Australian engineers to gain registration in the US and the process for registration in China is complex and lacks clarity. The listing of China and the US may therefore also be a reflection of the difficulties faced by companies in attempting to access these markets.

For engineers answering the survey on the international activities of individuals almost every economy in the world was identified by at least one respondent as a priority for streamlining licensing processes. Once again the US and China ranked highly, as did the European Union, Canada and Singapore who also have complex licensing procedures as outlined in Figure 6.

Figure 6: Countries where licensing barriers should be removed as a priority



The survey of individuals also queried whether individual engineers had managed to gain a license in a foreign jurisdiction. Out of 1006 respondents to the survey, only 197 engineers had managed to gain registration in a foreign country.

Common to all discussions about undertaking engineering work in a foreign jurisdiction is the need to obtain registration or a license to practice engineering in an overseas country. All stories are coloured with frustration. This barrier coupled with restrictions on the temporary migration of labour dramatically impedes trade in engineering internationally.

6. Mutual Recognition Agreements

A number of mutual recognition agreements (MRAs), or attempts at moving toward international standards for a given profession, have been initiated and undertaken by industry itself, with little or no involvement by governments.

For engineering, accredited Australian qualifications and overseas engineering qualifications are recognised through formal MRAs with engineering accreditation bodies in other countries. These agreements are outlined in Appendix B and include the APEC Engineer Register, Washington and Sydney Accords and the International Register of Professional Engineers.

The key problem faced by profession-led MRAs is that these agreements operate by good will and are at best a private contract, even if the bodies can be considered part of the governmental structure and competent to enter into international agreements.

MRAs, particularly those negotiated between professional associations with no specifically delegated powers, operate as voluntary agreements that can be reversed without engendering legal responsibility.¹

Engineers Australia does not act with the delegated authority of the Australian government and while professional associations like Engineers Australia need to be involved in MRA negotiations, especially in view of their considerable expertise, the arrangements reached need to be embedded in another, broader legal context, and supported by national governments.

One resolution would be to support existing MRAs negotiated by professional associations within the Domestic Regulation Annex of an FTA. Within FTAs with APEC nations, the Australian government could include a provision outlining that Australian APEC engineers, and for example Malaysian APEC engineers, would be eligible to be licensed/registered in each nation by the relevant authorities.

Additionally, another option would be to seek FTA partners to agree that negotiations will take place on an MRA as a priority, giving DFAT a mandate to pursue MRA outcomes. As Engineers Australia is not a government body, many overseas government licensing and registration organisations (particularly in Asia) are reluctant to enter into MRA negotiations with us. If MRA negotiations could be facilitated within the FTA architecture it is certain that gains could be more quickly made.

Securing a MRA remains an exceedingly complicated and time-consuming task due to the difficult nature of trying to compare registration and licensing frameworks that have been established to meet differences in cultural, social and economic circumstances.

Given the level of difficulty in reaching a MRA on professional standards and licensing frameworks, it is disappointing that the Australian government has been slow to support MRAs already negotiated by professional associations, like the APEC Engineer Register, in bilateral and multilateral agreements.

Key examples are the missed opportunities to incorporate the existing APEC Engineer Register framework into the Singapore and Thailand FTAs. This would have capitalised on the substantial work already undertaken between the Government Engineering Boards and Professional Engineering Associations in Singapore and Thailand under the APEC Engineer Register processes.

The incorporation of the APEC Engineer Register into these FTAs would have had the potential to result in Australian engineers on the APEC Engineer Register being able to be licensed in Singapore and Thailand. Engineers Australia is hopeful that this will not be repeated within the FTA between Australia and Malaysia.

Engineers Australia believes there is still a need for the Australian government to review the considerable work done by professional associations in negotiating MRAs. The government will then need to take immediate measures to ensure these agreements are supported and enforceable under international law, and wherever possible included in future FTAs.

Mutual Recognition Agreements

The work of engineering professional associations towards international mutual recognition of university qualifications and licensing/registration needs to be supported by the Australian government wherever possible in FTAs under review (Singapore-Australia FTA or Australia-United States FTA) and future FTAs (Australia-Malaysia FTA).

This is particularly important because the MRAs negotiated by Engineers Australia including the APEC Engineer Register need to be embedded into a broader legal context like a FTA to ensure commitments are binding.

Recommendation 4: The Australian government should ensure that any FTAs they negotiate include a workable MRA on the domestic regulation of engineering services.

Recommendation 5: There is a need to review the work done by Engineers Australia in negotiating MRAs to ensure that these existing agreements are supported and enforceable under international law. Wherever possible, these agreements should be included in future FTAs.

7. Export Market Development Grant

Engineers Australia believes that the objective of EMDG scheme “to bring benefit to Australia by creation, development and expansion of foreign markets for Australian goods, services, intellectual property and know how” is being successfully met.

As a result, the scheme should be continued to provide security to exporters. Certainty is a key factor contributing to the effectiveness of the EMDG scheme in acting as an incentive for Australian businesses to export. Providing security to exporters means that businesses are able to plan export activities with the confidence that their entitlements under the scheme are protected for a fixed period.

Given the proven success of the scheme the capped annual budget of the scheme should be reviewed to ensure the all grantees receive the full value of their entitlements. There is an argument to be made that the total funding cap is not allowing the scheme to grow or provide the same level of assistance to all exporters.

Engineers Australia recognises that the EMDG budget is allocated within the context of other competing government priorities, and that there is a need to contain costs. In this environment the two tiered, capped funding mechanism of the EMDG scheme is an appropriate mechanism.

However, if the value of the scheme is not able to grow, and eligible exporters routinely miss out on the full value of their second tranche funding there is a real need for the scheme to look at additional ways to support Australian exporters. For example, there may be opportunities for the scheme to assist and link exporters with market analysis, forward planning and financing issues as well as the development of strategic and marketing plans.

Currently the EMDG scheme also supports a larger number of goods exporters than exporters from service industries. Services trade now accounts for the principal share of gross domestic product (GDP) and employment in both developed and developing economies.² In 2005, Australia recorded services exports of more than \$37 billion or about 23 percent of total national exports. Services exports are growing by about 4 percent a year. Four out of every five Australian workers are employed in services industries, many of which have an export focus.

Since the mid-1980s, Australia's services exports have grown more rapidly than agriculture, mining and manufacturing exports.³ The services industries are now collectively more important than any other sector of the Australian economy, accounting for around three-quarters of gross domestic product. Recent estimates show that as many as 80 percent of firms that export are now from the services sector.

The growing internationalisation of services trade and the greater ease with which services markets can be contested worldwide have created opportunities for Australia (and other countries) to develop new sources of export growth.

Engineers Australia believes that the EMDG scheme should be more balanced towards supporting the services sector. Given the value of services trade to the Australian economy the EMDG scheme should aim to increase the proportion of EMDG recipients from service industries.

Export Market Development Grant

Recommendation 6: The Australian government should continue the EMDG Scheme while developing methods to increase the number of services exporters accessing the scheme

Recommendation 7: The capped annual budget of the EMDG Scheme should be reviewed to ensure that all eligible exporters receive the full value of their entitlements

8. Trade Development Resources

There is potential for the Australian government to proactively use the GATS process as a market analysis tool. A key benefit of the GATS process is that it requires each member country to identify impediments to services trade and the operation of licensing regimes via the GATS schedules of specific commitments. In these schedules, economies list many of their remaining breaches of market access and national treatment, greatly facilitating identification of impediments relevant to professional services.

However, not all of these schedules of commitments are publicly available. They are also documents that require the reader to have a technical understanding of the GATS process in order to understand the commitments made. There is also some evidence that not all market restrictions are included in these schedules, for example local government level restrictions.

The Australian government needs to be pro-active in supporting professional service providers by providing information tailored to specific industries and countries on the types of non-tariff barriers and regulatory hurdles operating in overseas markets, and how they can be overcome. DFAT has made a number of comprehensive requests to overseas countries to liberalise service sectors under the GATS. To do so, the Department has had to undertake a wide ranging and in-depth research project to gain an understanding of the impediments operating to restrict trade in services in overseas countries.

This information gathering was essential for the Australian government to successfully participate in the GATS process. However, there seems little reason why this information could not also be made publicly available to Australian services exporters. Publication of measures affecting services trade for specific markets and professions reduces the costs to Australian service providers of learning about domestic laws and regulations in foreign markets and decreases the costs of uncertainty.

Technical assistance needs to be provided to professionals to help them meet the standards required by other countries regulatory environments. DFAT could look to partner with Austrade to better use the information gathered on overseas countries within the WTO/GATS process to support Australian exporters.

In particular, this should include targeted one-on-one support to professional service providers, particularly those working in smaller companies, or as independent consultants. There may be opportunity for this to be integrated into a program not unlike the previous "Trade Watch", a DFAT and Austrade program to provide Australian businesses with current information about the international trade and investment environment and Australian Government action to open international markets.

Technical assistance to exporters

Recommendation 8: Tailored information and technical assistance needs to be made available on the types of barriers operating in overseas markets, to help Australian exporters meet the standards required by other countries regulatory regimes.

In 2003 the Foreign Affairs, Defence and Trade Joint Standing Committee released the report, *Expanding Australia's Trade and Investment Relationship with the Countries of Central Europe*. The key finding of the report was that an "information failure" exists between Australia and Central Europe. While the potential for Australia to trade with Central Europe is apparent, substantial trade and investment between Australia and Central Europe has failed to emerge.

The Report identified that the main ingredient missing from this potentially fruitful economic relationship is market knowledge of each other and each other's needs. The report recommended a range of measures to increase mutual awareness and mutual understanding of trade and investment opportunities to stem the "information failure".

Recommendations include sending senior trade missions to the region led by the Minister for Trade, increasing support for Australian exporters to become involved in overseas trade fairs, expanded support for Australia companies seeking Austrade funding, encouraging links between Australian and Central European research institutions, improving Australian trade representation at the World Bank and European Commission and reconfiguring diplomatic arrangements in Central Europe to better support Australian trade and investment activity.⁴

The recommendations of this committee remain current. There is a role for the Australian government to support, facilitate and champion overseas trading opportunities for Australian exporters. This is particularly true when Australian exporters of engineering services are attempting to gain access to a markets heavily regulated by registration and licensing regimes.

Trade Development Resources

Recommendation 9: There is a role for the Australian government to support, facilitate and champion overseas trading opportunities for Australian exporters of engineering services, particularly when the markets they are attempting to gain access to are heavily regulated by overly burdensome licensing regimes.

9. Data Collection

Numerous studies analysing the economic impacts of policies affecting trade in goods are available, but far less work has been completed on assessing the potential gains from increased trade in services. This has been due to the difficulties arising from poor information on international service transactions and a lack of comprehensive measurement of restrictions on trade in services.

The quality of statistics on trade in services is notably poor, so that the significance of service transactions in world trade is generally understated. Data on trade in services are not as comprehensive, detailed, timely or internationally comparable as data on trade in goods.

Statistics on trade in services do not include earnings from foreign direct investment and this also undermines the quality of service statistics. Cross border intra-firm service transactions are also not captured. Intra-firm sales are increasing rapidly, and service and foreign direct investment in services is estimated to represent more than one half of all international services transactions.⁵

More resources need to be invested in capturing trade in service statistics. Engineers Australia supports the proposal by the Australian Services Roundtable (ASR) to undertake a Services Stocktake. The ASR is seeking Government assistance to undertake a sector-wide Stocktake of services industry perspectives on the opportunities and challenges facing Australian services exports.

The Stocktake will gather valuable, currently unavailable business data on services export activity together with new insights into the current state of Australia's services export culture and the drivers of Australia's competitiveness in services. It will supplement official statistics and aim to throw new light on the nature and extent of services. Australia needs a better developed, more robust understanding of what currently drives competitiveness in the services sector, and its consequent export-readiness and actual participation in trade. ASR's Stocktake will be a major step in filling this gap in understanding.

Counting the value of services trade

More resources need to be invested in capturing trade in service statistics. The true value of trade in engineering services to the Australian economy is essentially unknown due to problems in the collection of services statistics. Until this is improved, it will be difficult to identify areas where trade in professional services, including engineering is under-performing, or to measure or predict the impact on trade volumes for changes in policy and regulation.

Recommendation 10: Significant improvements needs to occur for the collection of trade in services statistics so as to be able to focus on those activities where trade in engineering services could be increased.

Recommendation 11: The Australian government should support the Services Stocktake initiative of the Australian Services Roundtable as a priority

10. Conclusion

As the excellence of Australian engineering companies has become more widely known across the globe, the amount of work being undertaken by Australian engineers overseas has increased. The Australian government has a significant and continuing role to play in facilitating trade in engineering services.

Overall, domestic regulation particularly related to licensing and registration play a key role in creating barriers to the international opportunities available to Australian engineering firms. As the Engineers Australia survey results have supported, overcoming barriers to trade in engineering services must be focused on enhancing the ability of Australian engineering service providers to be licensed in foreign jurisdictions and to legally work.

The WTO, free trade agreements, mutual recognition agreements, professional associations like Engineers Australia and the Australian government all have a role to play in working towards removing barriers to the licensing of Australian engineers in foreign jurisdictions.

Appendix A - Profile of Engineering Exporters

In most official statistics, engineering services are absorbed in the broader categories of business services, other services or construction activity. However, the engineering sector is a diverse and large profession that includes a range of practitioners, such as professional engineers, engineering technologists, engineering associates, and tradespeople.

Engineering is about applying science and technology to develop and implement new technologies, placing engineers in a central role in improving the security and living standards of the community, improving the standards of environmental care and generating wealth for Australia.

The traditional focus of engineering activities has been in infrastructure – the fundamental facilities and systems that allow a modern society to function effectively. These include transportation, communication systems, energy and water supply, and waste removal. However, engineering impacts on many aspects of community life. For instance, the following lists only some of the areas in which professional engineers commonly practice:

Acoustics	Electronics	Naval architecture
Aeronautics	Engineering education	Nuclear
Agriculture	Engineering survey	Petroleum and gas
Arbitration	Environment	Pipelines
Automation and control	Fire safety	Process control
Biomedical	Food technology	Public health
Bridges and viaducts	Foundations and footings	Quality management
Building services	Fuels and energy	Railways
Building surveying	Geotechnics	Risk
Civil	Industrial	Roads and highways
Chemical	Local government	Software
Coastal and oceans	Maintenance	Space
Communications	Manufacturing	Structural
Computing	Materials	Telecommunications
Construction management	Metallurgy	Transportation
Dams	Military	Water resources
Electric power	Mining and tunnelling	

The most commonly traded engineering services are consultancy services typically consisting of design services, planning and design development, procurement services, field services during construction and project management. These services usually fall within three broad categories. For example:

- **General services:** Feasibility studies, cost estimations, preparation of drawings, specifications and contract documents and the supervision of construction;
- **Specialised services:** Design and development of process equipment, environmental advisory and design services, materials testing, software or systems development and project management; and
- **Comprehensive services:** Turnkey services such as build-own-operate-transfer contracts.

With advanced communication systems many of these services can and are being supplied “cross border”. For example consulting can be performed on-line, with designs, specification, blueprints and know-how being transmitted electronically.

Despite the increased ease with which engineering services can be provided electronically, it seems that while the cross border supply of engineering services is increasing, the bulk of services are continuing to take place through commercial presence or the movement of engineers overseas.

The Australian engineering industry is becoming increasingly competitive at the international level and the ability of Australian companies to provide engineering services to overseas countries has increased throughout the last decade.

In 2006, Engineers Australia surveyed members to discuss the nature of global engineering and to build a profile of Australian engineering exporters. Two surveys were undertaken, one for individuals and one covering the activities of companies.

Information was gained on the type, size, cost and length of projects being undertaken overseas, the international movements of members including what countries they work in and for what time periods, what barriers to trade they encounter and information on the internationalisation and outsourcing of engineering design services.

The aim has been to try and capture some of the non-tariff barriers operating to restrict trade in engineering services, particularly domestic regulations and licensing procedures that may impose restrictions on trade in engineering services in various countries. Analysis of the survey results has been used to build the following profile of engineering exporters.

Company type

Australian engineering companies with Australian offices only (34 percent of survey respondents) and Australian engineering companies with offices in both Australia and in overseas countries (35 percent) are involved in offering their services overseas at similar levels. Nineteen percent of respondents were also foreign companies with offices in Australia highlighting that Australia is both an importer and exporter of engineering expertise. Companies falling into the ‘other’ category made up 12 percent of respondents.

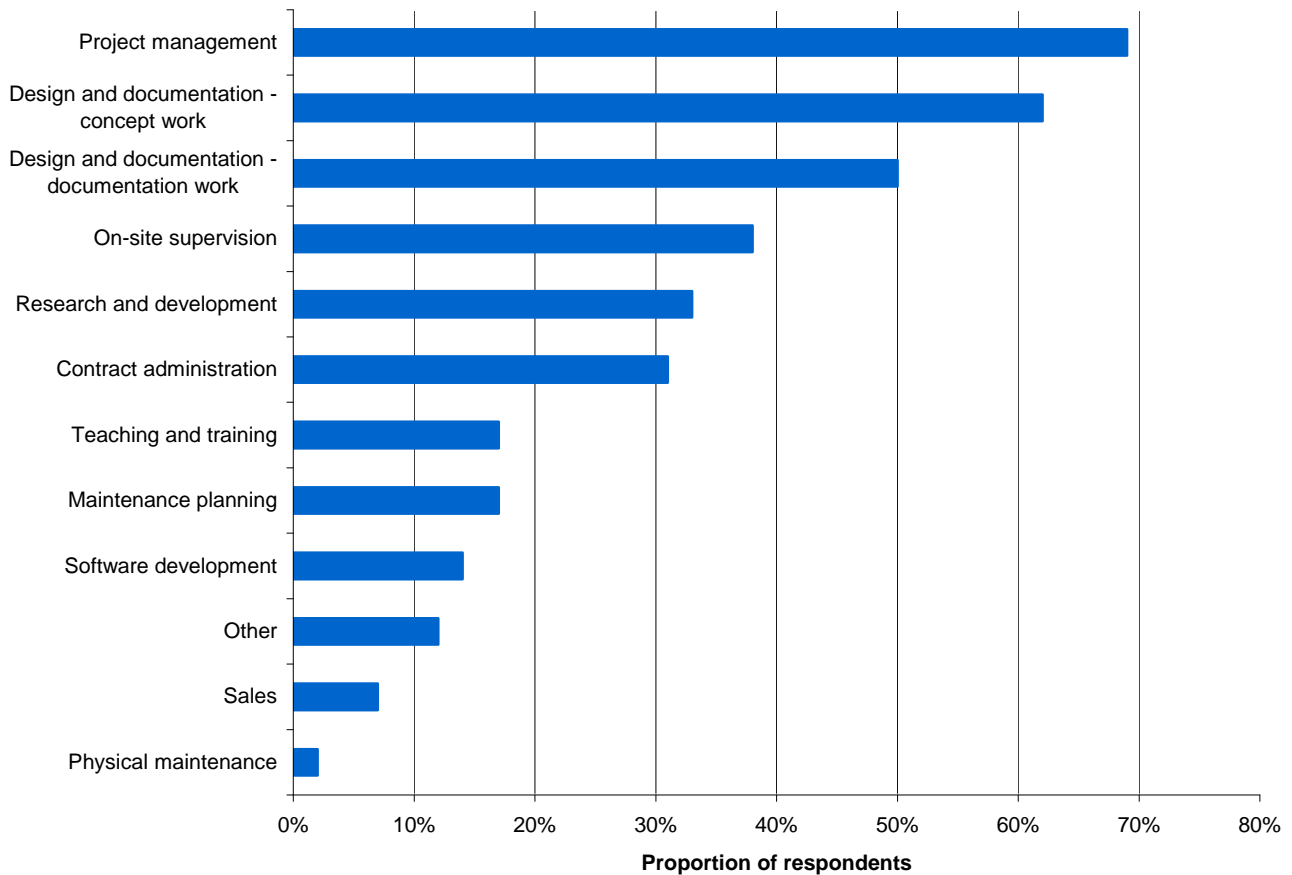
Number of employees

Regardless of company size, all survey respondents had staff located both in Australia and internationally including small companies of up to four employees’ to larger companies with over 1000 employees. Thirty six percent of companies who responded to the survey had 1000 or more employees in overseas offices. Twenty seven percent of companies also had 1000 or more employees located in Australia. On the whole, companies with the largest number of employees were much more likely to be involved in international activities.

Type of work

Companies with international operations are rarely involved in just one area of engineering work. However the survey results clearly show that many companies (over 60 percent) spend a significant proportion of their time undertaking project management and design and documentation work as outlined in Figure A.1.

Figure A.1: Type of work undertaken



Around 17 percent of companies are involved in teaching and training, which is a technology transfer from Australia to the host economy. It can also be assumed that a significant amount of informal technology transfer is taking place on top of this 17 percent, in both directions.

Companies who selected the 'other' category indicated they were also involved in:

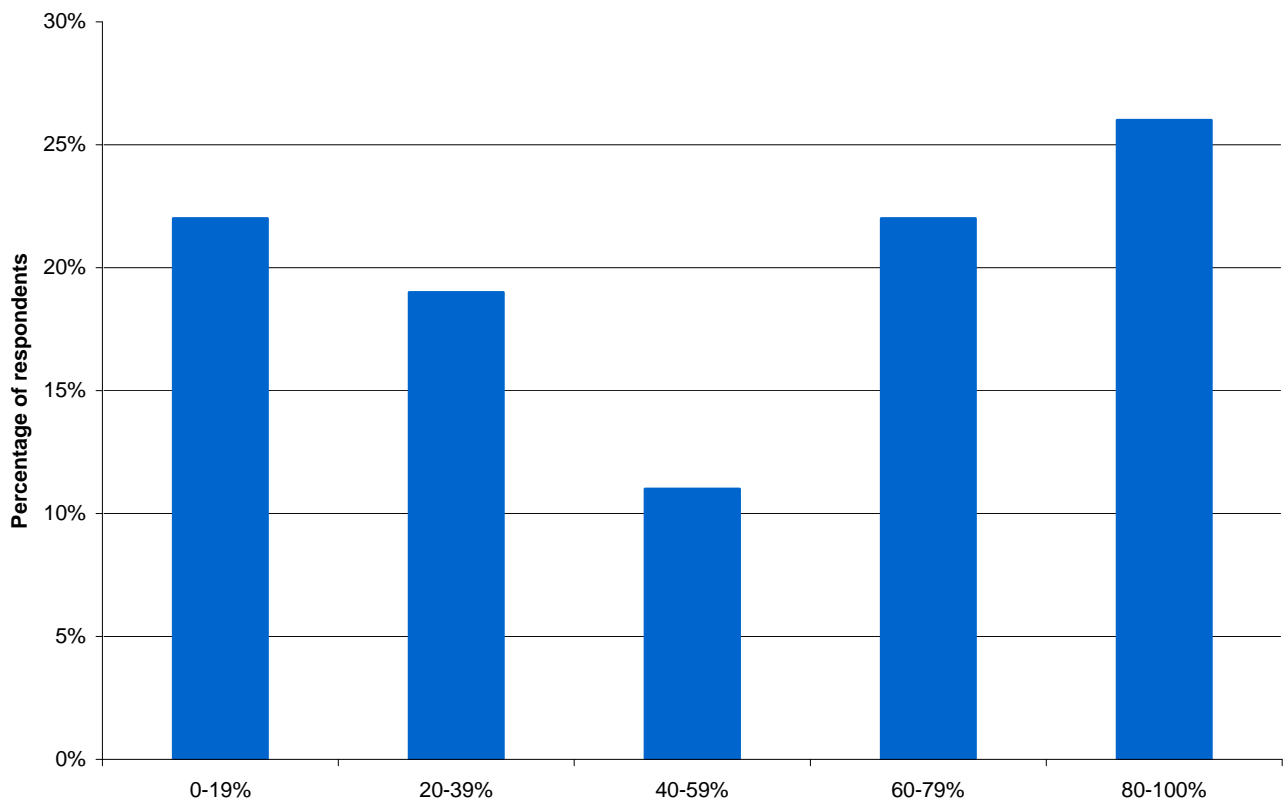
- Site work regarding conveyor belt condition;
- Systems development for civil aviation communications testing;
- Risk management;
- Estimating, tendering and contract valuations; and
- Assessment and assistance to laboratories and certifying bodies

Percentage and value of projects undertaken in Australia and overseas

The percentage of work done by companies for projects both overseas and in Australia identifies some interesting trends. Over 30 percent of respondents indicated that five to 20 percent of their companies' projects were based overseas. At a similar rate, almost 30 percent of companies also identified that 80 to 100 percent of their work was for Australian projects.

While this may seem confusing, it actually identifies that companies tend to have two distinct approaches to working overseas. One type of company undertakes 80 to 100 percent of its work in Australia and the rest of its work overseas (5-20 percent), while the majority of other companies undertake 80 to 100 percent of their work overseas and the rest of their work in Australia (5 to 20 percent). The value of the international work to companies also reflects this breakdown as shown in Figure A.2.

Figure A.2: Overseas work as a proportion of revenue in a financial year

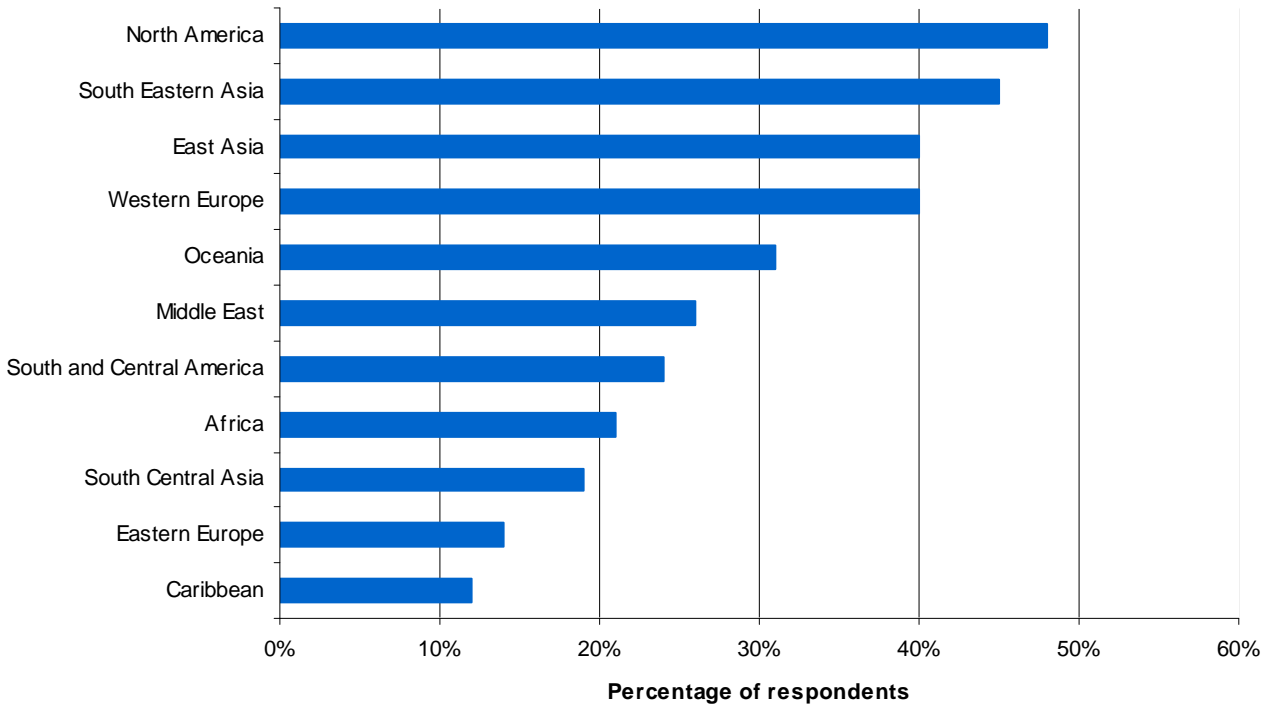


Regions where clients outside Australia are based

The survey results also confirmed that Australian engineering companies are undertaking work across the globe. While over 40 percent of companies who responded to the survey undertake work in North America and South East Asia, engineering services work is also being undertaken at significant levels in all regions. A high level of engineering work is being undertaken not only in Asia Pacific Economic Cooperation (APEC) countries but also in Western Europe, the Middle East and Central America.

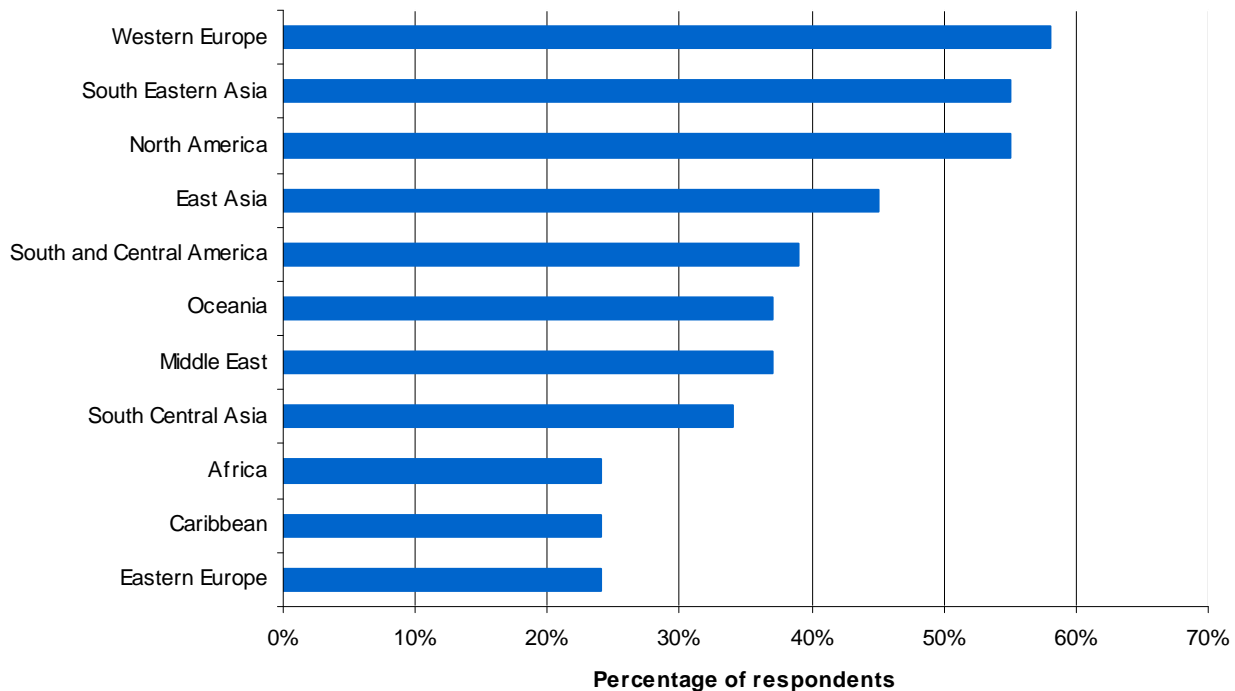
Forty eight percent of companies that responded to the survey had clients predominately based in North America. Forty five percent had clients in South Eastern Asia while 40 percent had their major clients based in Western Europe or East Asia. Eastern Europe and the Caribbean were also represented with 14 and 12 percent of engineering companies having clients based in these regions as represented in Figure A.3.

Figure A.3: Region's where clients of companies are based



As Figure A.4 outlines, over 50 percent of companies who responded to the survey had set up offices in North America, South East Asia and Western Europe to service the needs of these international clients⁶.

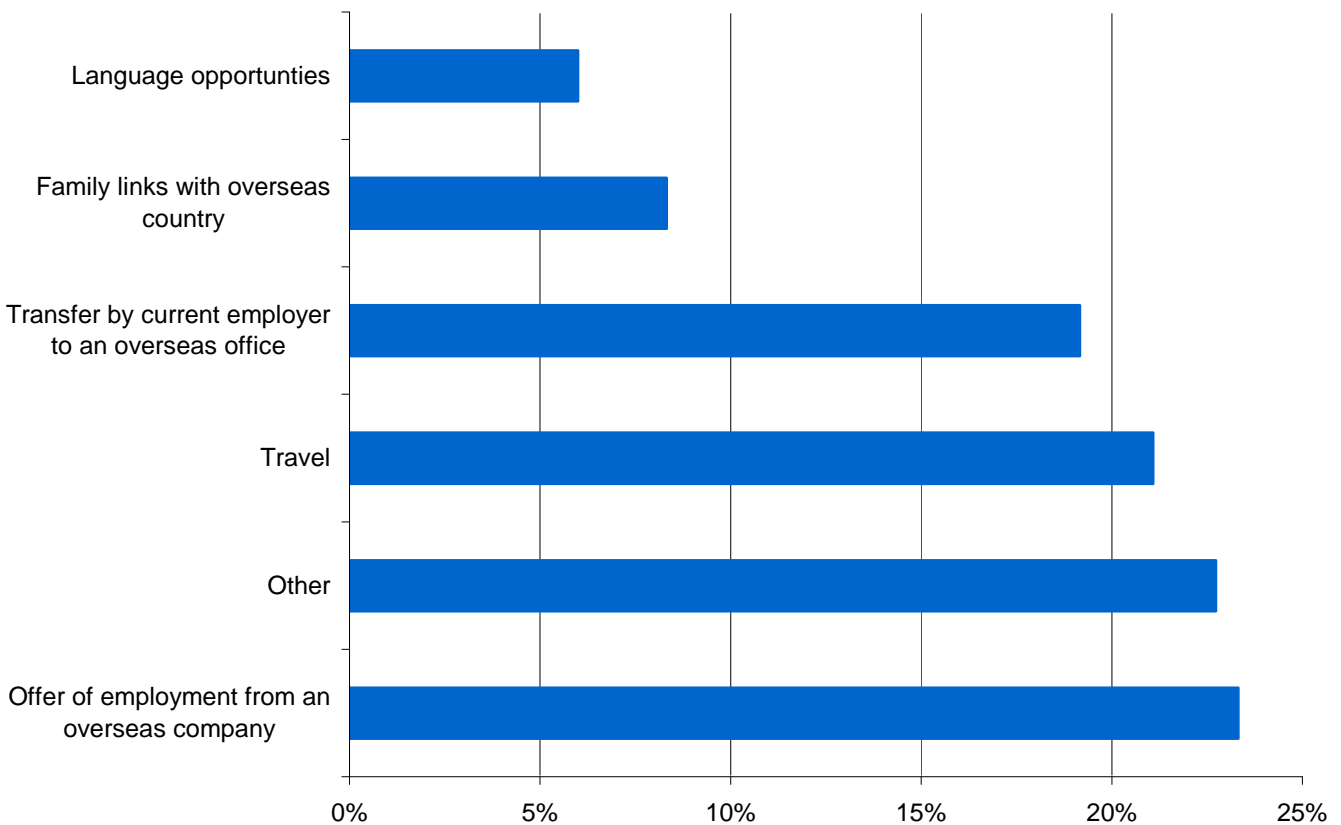
Figure A.4: Regions where companies have overseas offices



International movement of Australian engineers

A number of questions about temporary migration were asked to both companies and individual engineers in the Engineers Australia survey. Individual engineers were motivated by employment and language opportunities, travel and family links to leave Australia as outlined in Figure A.5.

Figure A.5: Motivation for leaving Australia



Reasons listed in the 'other' category include better remuneration, lower taxes, to accompany husband/wife and broader employment opportunities and work experience.

Fifty four percent of individuals who answered the survey worked overseas at least once every 12 months, with almost 70 percent of respondents working overseas at least once in a two year period.

Just over 52 percent of individuals normally stayed overseas for less than one year, with over 25 percent staying longer than three years. This movement is outlined in Figures A.6 and A.7.

Figure A.6: How often Australian engineers work overseas

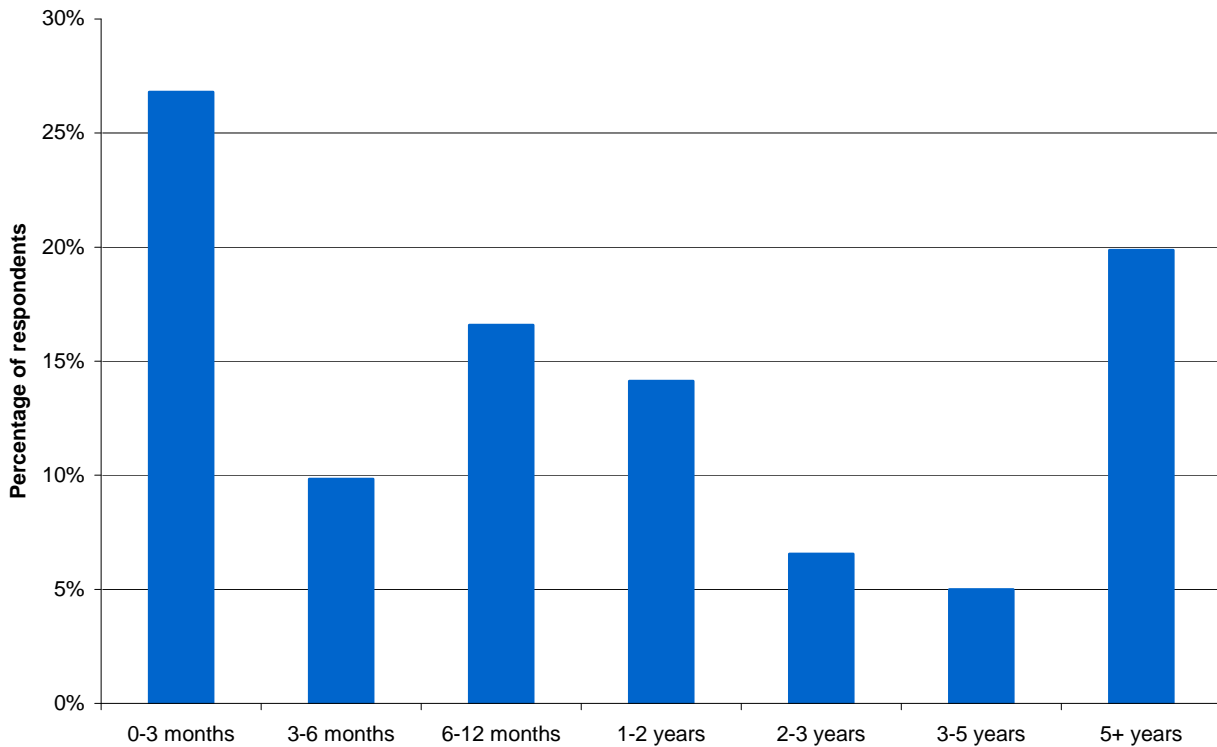
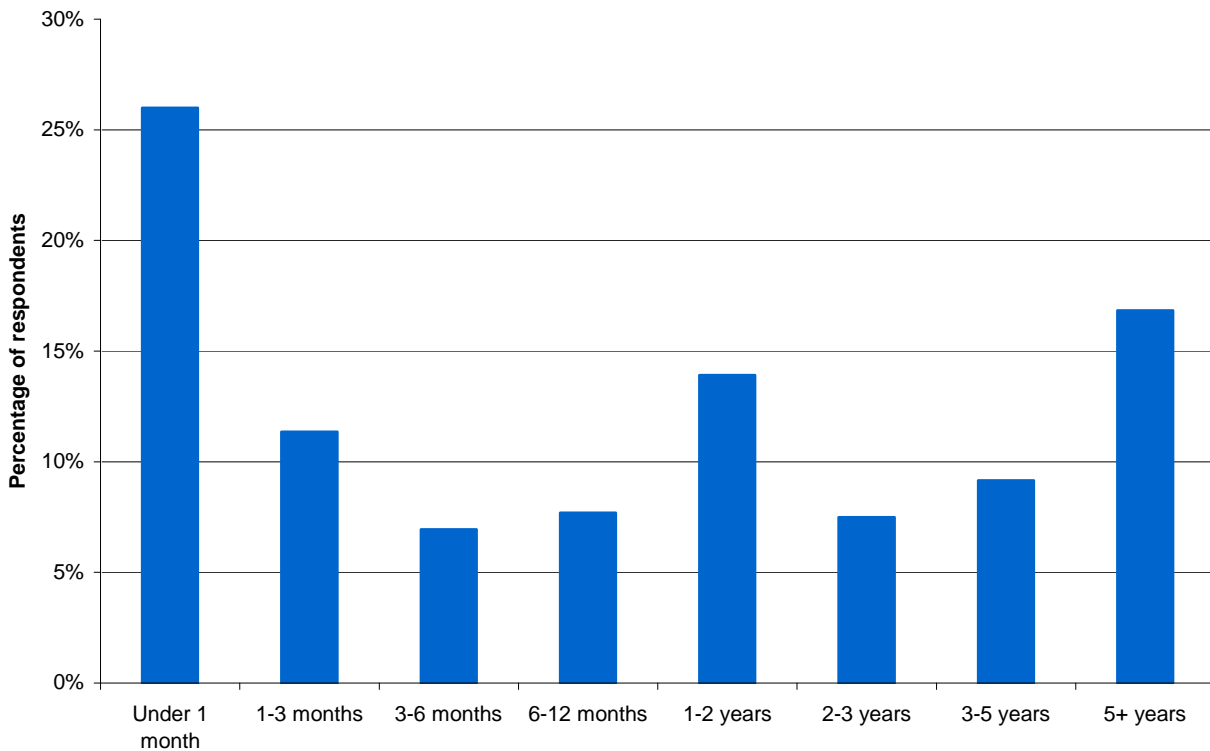
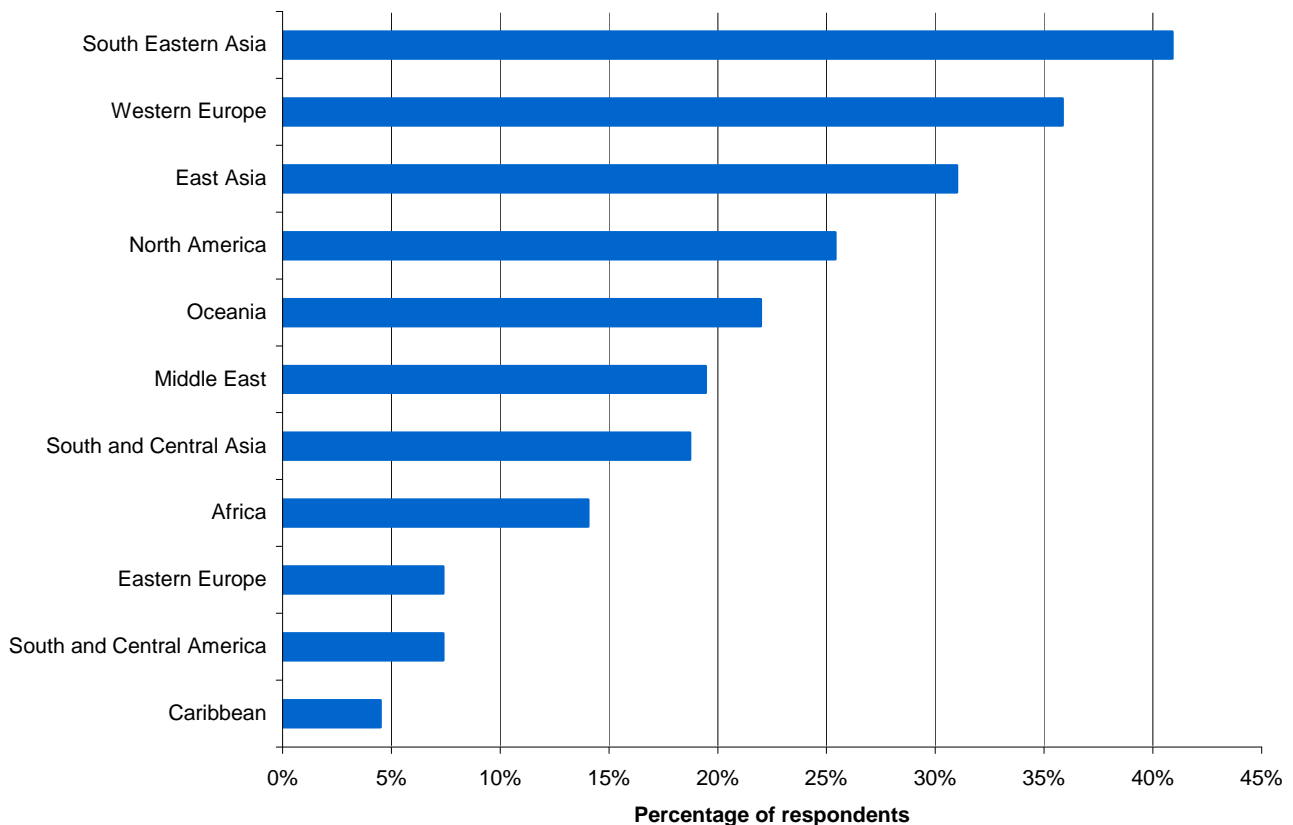


Figure A.7: Period of time spent overseas each visit



According to the Engineers Australia survey, Australian engineers are working in countries around the globe both for Australian companies with overseas offices and as employees of overseas companies. Understandably, given Australia's geographic location, 91 percent of respondents have worked in the Asian region, as outlined by Figure A.8.

Figure A.8: Regions where engineers have worked "in country"



Australian engineers also place great value on the experience they have gained from working internationally. When asked, "Do you believe your career has benefited from your time overseas" 94 percent answered, "Yes". Over 400 individual engineers also listed a variety of skills and experience that they have gained overseas that they believe they could not have obtained in Australia including:

- Exposure to a broader scope of engineering projects;
- Access to innovative expertise;
- Opportunity for higher salary and/or lower taxes;
- Higher level of responsibility on larger projects at a younger age;
- Opportunity for working on challenging projects;
- Experience of living in different cultures with different languages;
- Opportunity to travel extensively in other parts of the world;
- Exposure to alternative engineering processes, standards and techniques;

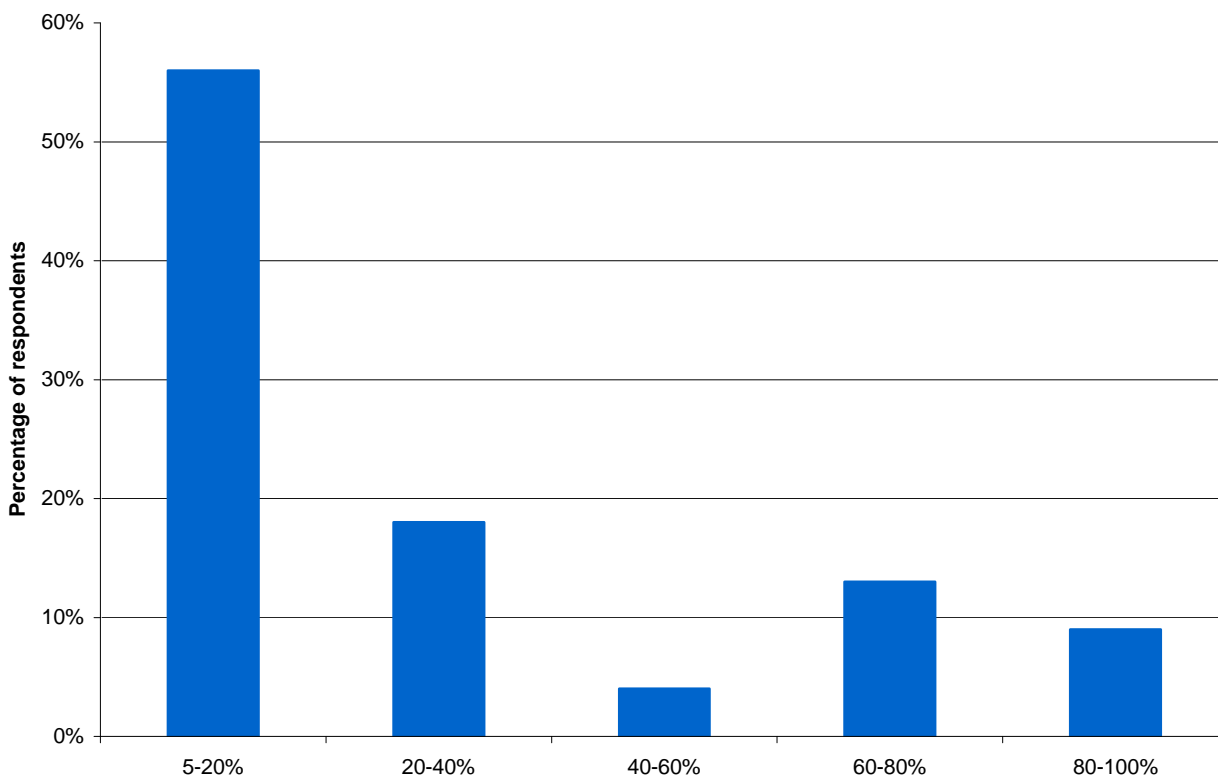
- Increased number of engineering & business contacts at all levels;
- Exposure to a broader range of engineering projects and also more opportunity to work through various phases of those projects, i.e. maintaining input through investigation, design and construction;
- Different range of projects, greater budgets and different clients; and
- Exposure to different business practices, exposure to a wider range of job responsibilities.

Further supporting the global nature of trade in engineering and the importance of the skills exchange related to the temporary migration of labour, 54 percent of survey respondents regularly had engineers from other countries working with them in Australia.

Use of outsourcing

Forty-four percent of companies that responded to the survey, indicated that they had design work carried out overseas for a mix of Australian domestic, and international projects. Of this 44 percent, three quarters sourced up to 40 percent of their design work from overseas. More than one-fifth of respondents indicated that they sourced between 60 and 100 percent of their design work from overseas. A company, outsourcing all of its design services overseas, would be a significant participant in international trade in engineering services, including technology transfer and investment flows. These results are outlined in Figure A.9.

Figure A.9: Percentage of design work sourced overseas

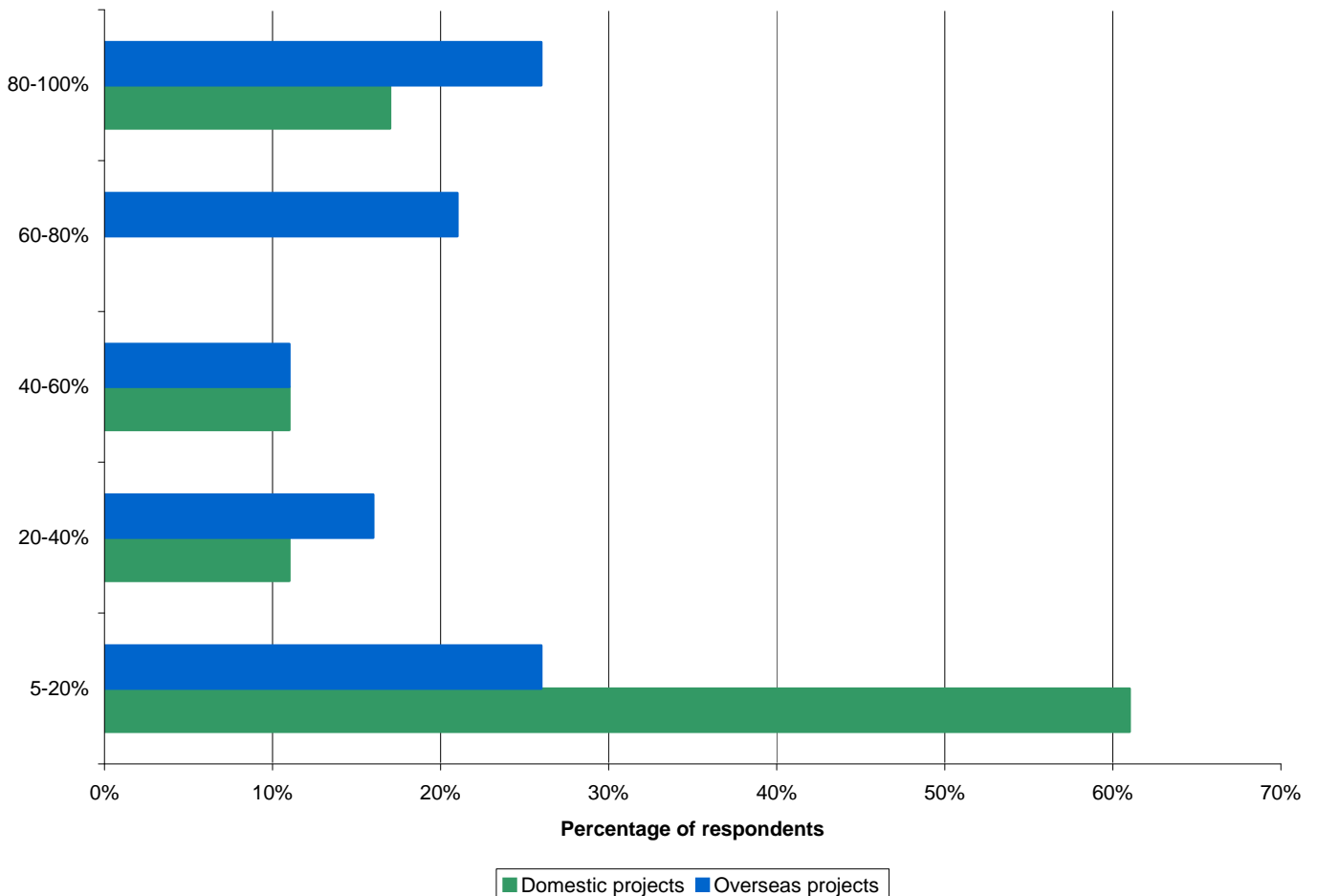


The main overseas providers of engineering design services, to companies that responded to our survey, are based in Western Europe, Asia and North America. Forty percent of companies used providers based in Western Europe; 30 percent of companies used providers in East Asia or North America; while 20 to 25 percent of companies used providers in South, Central or South East Asia.

Combined, 75 percent of respondent companies used providers from the Asian region. Particular countries, outlined by survey respondents as providers of engineering design services to their companies, include: China, the US, Argentina, India, the United Arab Emirates, Germany, the Philippines, Singapore, Malaysia, Korea and New Zealand.

One company also indicated that its policy was to use “*design services in the country where the work is being undertaken*”, which might help explain the distribution of the use of overseas design services in Figure A.10.

Figure A.10: Use of outsourcing: domestic and overseas projects

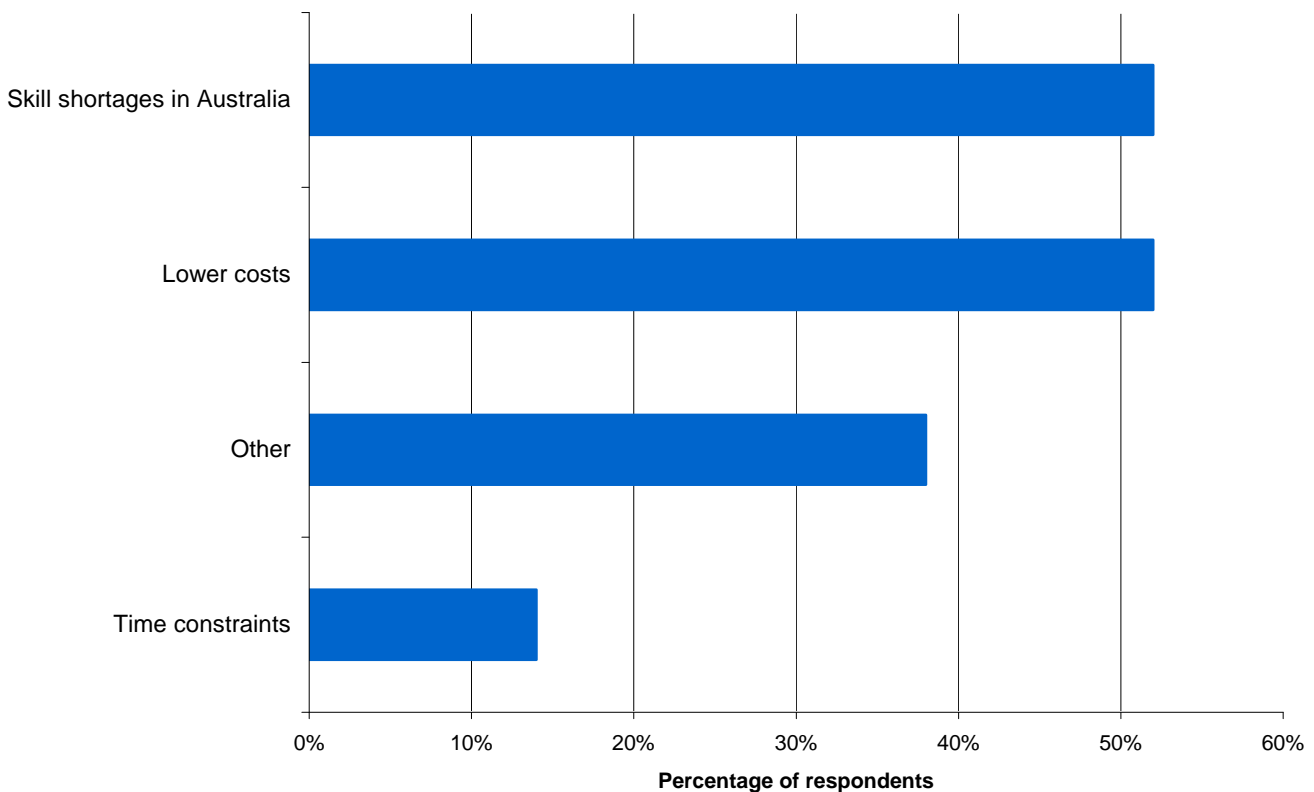


For domestic projects, almost two-thirds of respondent companies used overseas design services for up to 20 percent of the projects they undertake. For overseas projects, a quarter of the companies used an overseas provider to produce 80 to 100 percent of the design work.

There seems to be a correlation with projects overseas using higher rates of overseas design teams. However, regardless of whether the project is in Australia or not, overseas design teams are used to a significant extent.

Companies identified that the two key drivers of this shift to use overseas design services were to overcome skill shortages in Australia and to lower costs. Time constraints were cited by 14 percent of respondents as another key consideration as outlined in Figure A.11.

Figure A.11: Reasons for outsourcing



Respondents in the 'other' category cited an additional set of reasons including:

- To avoid competition over intellectual property;
- To access expert 'centres of excellence' and harness the expertise of employees in our own overseas offices; and
- Proximity to manufacturing facilities.

Just over 40 percent of companies used 24-hour design teams around the globe to meet project deadlines. A similar percentage, though not necessarily the same companies, had the management of the design team based in the country where the project was being delivered. Three-quarters of the companies surveyed used 24-hour design teams for up to 20 percent of the time.

Growth of international work

As the excellence of Australian engineering companies has become more widely known across the globe, the amount of work being undertaken by Australian engineering companies overseas has increased. Sixty four percent of companies, who responded to the survey, said that the proportion of their overseas work is increasing. As this occurs, more Australians are working overseas in the offices of Australian companies, and Australian companies are increasingly accessing overseas design services for both domestic and international projects.

Driving the growth of Australian engineering companies has been the high quality of the projects completed by Australian engineers and engineering companies domestically and internationally.

Appendix B - Engineering Mutual Recognition Agreements

A number of recognition agreements, or attempts at moving toward international standards for a given profession, have been initiated and undertaken by industry itself, with little or no involvement by governments. For engineering, accredited Australian qualifications and overseas engineering qualifications are recognised through formal mutual recognition agreements with engineering accreditation bodies in other countries. Detailed information on each agreement outlined below can be accessed at www.washingtonaccord.org

APEC Engineer Register

The APEC Human Resources Development Working Group Steering Committee for mutual recognition of professional engineers developed the initiative for the APEC Engineer Register over the period 1997 – 1998. The intent of the APEC Engineer Register is to recognise the equivalencies in the qualifications and experience of practising professional engineers in the participating economies and to facilitate trade in engineering services between those participating economies. It is anticipated that engineers entered on the APEC Engineer Register will be granted a high degree of mutual exemption from further assessment when practising in any of the participating economies:

- **Australia** - Engineers Australia (2000)
- **Canada** - Engineers Canada (2000)
- **Chinese Taipei** - Chinese Taipei APEC Engineer Monitoring Committee (2005)
- **Hong Kong China** - The Hong Kong Institution of Engineers (2000)
- **Indonesia** - Persatuan Insinyur Indonesia (Institution of Engineers) (2001)
- **Japan** - Institution of Professional Engineers Japan (2000)
- **Korea** - Korean Professional Engineers Association (2000)
- **Malaysia** - Institution of Engineers Malaysia (2000)
- **New Zealand** - Institution of Professional Engineers NZ (2000)
- **Philippines** - Professional Regulatory Board (2003)
- **Philippines** - Philippine Technological Council (2001)
- **Singapore** - Institution of Engineers Singapore (2005)
- **Thailand** - Council of Engineers Thailand (2003)
- **United States** - United States Council for International Engineering Practice (2001)

An APEC Engineer is defined as a person who is recognised as a professional engineer within an APEC economy, and has satisfied an authorised body in that economy operating in accordance with the criteria and procedures approved by the APEC Engineer Coordinating Committee, that they have completed an accredited or recognised engineering program; been assessed within their own economy as eligible for independent practice; gained a minimum of seven years practical experience since graduation; spent at least two years in responsible charge of significant engineering work; and maintained their continuing professional development at a satisfactory level.

APEC Engineers must agree to be held individually accountable for their actions, both through requirements imposed by the licensing or registering body in the jurisdictions in which they work and through legal processes.

Engineers Australia recognises that engineers registered on the APEC Engineer Register in participating countries are competent to practice in Australia and are therefore eligible to be listed on the National Professional Engineers Register (NPER).

Washington Accord

The Washington Accord was signed in 1989. It is an agreement between the bodies responsible for accrediting professional engineering degree programs in each of the signatory countries. It recognises the substantial equivalence of programs accredited by those bodies, and recommends that graduates of accredited programs in any of the signatory countries be recognised by the other countries as having met the academic requirements for entry to the practice of engineering.

The Washington Accord covers professional engineering undergraduate degrees. Engineering technology and postgraduate-level programs are not covered by the Accord. The signatory countries of the Washington Accord are:

- **Australia** - Engineers Australia (1989)
- **Canada** - Engineers Canada (1989)
- **Chinese Taipei** - Institute of Engineering Education Taiwan (2007)
- **Hong Kong China** - The Hong Kong Institution of Engineers (1995)
- **Ireland** - Engineers Ireland (1989)
- **Japan** - Japan Accreditation Board for Engineering Education (2005)
- **Korea** - Accreditation Board for Engineering Education of Korea (2007)
- **New Zealand** - Institution of Professional Engineers NZ (1989)
- **Singapore** - Institution of Engineers Singapore (2006)
- **South Africa** - Engineering Council of South Africa (1999)
- **United Kingdom** - Engineering Council UK (1989)
- **United States** - Accreditation Board for Engineering and Technology (1989)

Provisional members of the Accord include:

- **Germany** - Accreditation Agency for Study Programs in Engineering and Informatics
- **India** - National Board of Accreditation of All India Council for Technical Education
- **Malaysia** - Board of Engineers Malaysia
- **Russia** - Russian Association for Engineering Education
- **Sri Lanka** - Institution of Engineers Sri Lanka

Organisations holding provisional status have been identified as having qualification accreditation or recognition procedures that are potentially suitable for the purposes of the Accord; those organisations are further developing those procedures with the goal of achieving signatory status in due course; qualifications accredited or recognised by organisations holding provisional status are not recognised by the signatories

Engineers Australia uses the Washington Accord to assess overseas engineering qualifications for the purposes of skilled migration to Australia, for meeting the educational requirements of the National Professional Engineers Register (NPER) and membership of Engineers Australia.

Sydney Accord

The Sydney Accord signed in 2001 is an agreement between the engineering accreditation bodies to recognise as substantially equivalent the Engineering Technologist/Incorporated Engineer course of study that are accredited and delivered in those countries. The Sydney Accord applies only to accreditations conducted by the signatories within their respective national or territorial boundaries.

It is an agreement between the bodies responsible for accrediting technology level engineering programs in each of the signatory countries. It recognises the substantial equivalence of programs accredited by those bodies, and recommends that graduates of accredited programs in any of the signatory countries be recognised by the other countries as having met the academic requirements for entry to the practice of engineering as an "Engineering Technologist".

The following accreditation bodies are signatories to the Sydney Accord: Engineers Australia, Canadian Council of Technicians & Technologists, The Hong Kong Institute of Engineers; Institution of Engineers of Ireland; Institution of Professions Engineers, New Zealand; The Engineering Council of South Africa; The Engineering Board of the UK. The Accreditation Board for Engineering and Technology in the United States holds provisional membership.

Engineers Australia uses the Sydney Accord to assess overseas engineering qualifications for the purposes of skilled migration to Australia, for meeting the educational requirements of the National Engineers Technologist Register (NETR) and membership of Engineers Australia.

International Register of Professional Engineers

The Register is governed by the Engineers' Mobility Forum, a grouping of international professional associations who enter into various types of mutual recognition agreements for membership.

The following professional associations participate: Engineers Australia (1997), Engineers Canada (1997), Hong Kong Institution of Engineers (1997), Engineers Ireland (1997), Institution of Professional Engineers Japan (1999), Korean Professional Engineers Association (2000), Institution of Engineers Malaysia (1999), Institution of Professional Engineers NZ (1997), Institution of Engineers Singapore (2007), Engineering Council of South Africa (1997), Institution of Engineers Sri Lanka (2007), Engineering Council UK (1997), United States Council for International Engineering Practice (1997). Provisional signatories include the Bangladesh Professional Engineers, Registration Board and the Institution of Engineers India

Through this Agreement, the signatories aim to facilitate cross border practice by experienced engineers. The signatories have agreed to use their best endeavours to ensure that the bodies responsible for licensing engineers to practice in their own economies simplify as much as possible the requirements for those on the International Register. As with the APEC Engineer Register, Engineers Australia recognises the competence of engineers on the International Register to practice engineering in Australia.

¹ Beviglia Zampetti, Americo, "Market Access through Mutual Recognition: the promise and Limits of GATS article VII" in Sauve and Stern (eds), *GATS 2000: New Directions in Services Trade Liberalisation*, Harvard University: Brookings Institution Press, Washington DC, 2000.

² 2 Hardin, A. and Holmes, L. (1997), *Services Trade and Foreign Direct Investment*, Industry Commission Staff Research Paper. AGPS, Canberra.

³ Department of Foreign Affairs and Trade, Fact Sheet: The General Agreement on Trade in Services.

⁴ Senator Ferguson, Senate Hansard, Monday 15 September 2003, p14416.

⁵ World Bank, *Global Economic Prospects and the Developing Countries 1995*, www.wto.org page 43.

⁶ Each company has more than one overseas office. As a result the figures do not add to 100%