



Tuesday, 28 February 2017

Department of Foreign Affairs and Trade
R.G. Casey Building
John McEwen Crescent
Barton ACT 0221

Also by Email: whitepaper@dfat.gov.au

Department of Foreign Affairs & Trade Foreign Policy White Paper

Dear Sir / Madam,

The American Chamber of Commerce in Australia is writing in response to the request for submissions by the Department of Foreign Affairs and Trade, as it prepares a new foreign policy white paper for release in 2017.

The American Chamber of Commerce in Australia - better known as AmCham Australia - was founded in 1961 by Australian and American businesses to encourage the two-way flow of trade and investment between Australia and the United States, and to assist its members in furthering business contacts with other nations. In pursuing this goal, AmCham Australia has grown and diversified. It finds itself not only representing the United States' business view, but also speaking increasingly for a broad range of members involved in the Australian business community.

AmCham Australia represents the interests of American companies undertaking business activities in Australia. American investment accounts for 27 percent of all foreign investment in Australia which makes it, by far, the single largest foreign investor in Australia. We also have significant membership by Australian companies and endeavour to represent their interests whenever appropriate.

Obviously, DFAT's review comes at a time of great change in global politics, and particularly as populism is rising in many jurisdictions. The advent of the Trump administration in Washington, in AmCham's view, has attracted disproportionate attention, including what we view as highly precipitate calls for a fundamental review of Australia's relationship with its ally, the United States. As the evolving Trump presidency gradually fills itself out with additional appointments to key leadership positions, we anticipate that the alliance will take on a familiar character of frequent consultation, frank exchange of views, and general consensus on joint activity. Those who know the United States, like AmCham, will continue to counsel calm as the transition takes shape over the next 6-8 months - much as previous US transitions have taken place with undue drama for the ANZUS relationship.

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The simple fact is that the solid underpinnings of the US-Australia relationship do not depend on - and cannot be derailed by - any particular leader or any one government. For over 60 years ANZUS has prospered regardless of the person or party in power in either Canberra or Washington. This is in large part due to the incredible breadth of the bilateral relationship, which is a tapestry of complex links joining business, academia, tourists, innovators, scientists and researchers, athletes, and other ordinary citizens of both countries. In that sense, the bilateral relationship is not controlled from capitals, and does not depend on them.

Given this backdrop, AmCham's submission will not focus so much on the government-to-government relations that govern military and security matters; rather, we wish to emphasise the crucial role of business-to-government dialogue, that is and will continue to be a highly effective way of strengthening Australia's economic ties and enhancing prosperity.

AmCham sees Australia's relationship with the United States as vital in this regard. For more than half a century, the close partnership has yielded much fruit in the form of shared technology, knowledge and skills. Australia's foreign policy agenda for the next decade would be best served by cultivating an environment in which business and industry partnerships - the unwavering cornerstone of the Australia-US relationship - are incentivised and can thrive.

Since the advent of the new US administration and subsequent events, there has been much discussion about the durability of the "special relationship". Yet as a recent bipartisan resolution passed by the US Congress shows, there is strong support for the alliance from powerful players beyond the White House. Indeed, AmCham has first-hand evidence from annual trade missions to Washington D.C. that there continue to be many opportunities for engagement with the legislative branch of the US Government.

Trade

AmCham supports the free movement of goods, services, people, capital and ideas across borders. While it is clear that the Trans-Pacific Partnership (TPP) agreement will not proceed in its current form, AmCham Australia is strongly in favour of the comprehensive nature and principles behind this agreement. Indeed, we intend to join other influential business interest groups in continuing to advocate in Washington for a return to an ambitious free trade agenda of some form. Whereas alternative regional trade deals are likely to be put forward in the near future, such as the Regional Comprehensive Economic Partnership (RCEP), we would like to stress that the RCEP would be a far less ambitious and comprehensive trade deal and is likely to include few of the landmark provisions negotiated by the TPP parties. The TPP Chapters on electronic commerce, competition, government procurement, competition with state-owned enterprises, labour and the environment, and intellectual property are crucial to helping US and Australian companies maintain their competitiveness and world leadership in myriad sectors; RCEP will have meaningful chapters in none of these critical areas. Over the past 30 years, Australia has been a leading free-trading nation, as proven by the ambitious agenda of bilateral, regional and global trade agreements it has pursued and concluded over that time. We are convinced that the best pathway for Australian foreign policy in the next decade is to uphold these ambitious standards for regional trade.

According to DFAT data showing Australia's composition of trade for 2015-16, the US remained Australia's number one two-way trading partner in services. For over ten years, this has been underpinned by the Australia-US Free Trade Agreement (AUSFTA), which has increased two-way goods trade by 65 percent and increased services trade by 72 percent since coming into effect in 2005. In AmCham's view, AUSFTA should remain a cornerstone of the bilateral trade and investment relationship. AmCham will continue to urge both parties to the agreement to build on and improve implementation of the agreement wherever that would be beneficial. As Australia increasingly focuses on becoming a service-driven economy, it is vital that deepening the economic relationship with the US is a prominent foreign policy priority over the next decade.

Foreign Investment

Direct US investment in Australia is worth nearly \$160 billion, or 27 percent of Australia's total FDI stock. Furthermore, as AmCham Australia's ever-growing membership base attests, the US market continues to be a highly sought-after destination for Australian businesses seeking to expand overseas. We agree with Foreign Minister Bishop's characterisation of the US as "Australia's most important economic partner", taking into account both the trade and investment elements of the relationship. In light of this, we share the concerns of many business leaders across Australia at the readiness of recent governments to disavow the importance of foreign investment to the Australian economy. It is also concerning to see how frequently major foreign investors are demonised in the public narrative, without due recognition of their significant contribution to job creation, R&D and GDP growth in a range of Australian industries.

AmCham - in conjunction with the United States Studies Centre at the University of Sydney - will release an in-depth study in 2017 examining the role and contributions of US foreign direct investment in Australia, and the corresponding impact of Australian investment in the United States. We envisage that this study should serve as the authoritative reference document for industry, public and private audiences, politicians, the media, academia, and all others looking at the impacts of FDI in the two countries. We would also hope that it contributes to shaping the foreign policy agenda that grows out of this white paper consultation process.

To maximise Australia's trade and investment inflows and expand commercial opportunities for Australian business, it is essential that regulatory and taxation policies are conducive to maintaining a competitive environment in which business, investment and innovation can flourish. As heard in Silicon Valley on our annual "Innovation Mission" in November 2016, policies such as the R&D tax credit and Significant Investor Visa schemes are important incentives for attracting start-ups, venture capital and major investment projects to Australia. A foreign policy agenda that is truly geared towards enabling Australia to take advantage of opportunities in the global economy must remain mindful of the specific areas of domestic policy reform that facilitate the growth of businesses of all sizes. These include the many AmCham members that are global companies with business activities throughout the region, where Australia has a key role to play in helping to maintain stability and security. Any future policy agenda should continue to emphasise this critical strategic priority.

Conclusion

In AmCham's assessment, Australia's future prosperity is best supported by a robust foreign policy framework that accommodates rapidly growing economies in Asia, but also gives due recognition to the immense contribution of the US - both the public and private sector - to the Australian economy. The preparation of this Foreign Policy White Paper provides a unique opportunity to rebalance the public narrative concerning the role of international trade and foreign investment in Australia.

Thank you for your consideration, and for this opportunity to submit AmCham's views in preparation for the forthcoming foreign policy white paper.

Yours sincerely,



Niels Marquardt
U.S. Ambassador (ret.),
Chief Executive Officer

