

28 February 2017

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

Via email: whitepaper@dfat.gov.au

Dear Sir/Madam

Foreign policy white paper

The Australian Institute of Company Directors (AICD) welcomes the opportunity to make a submission on the Foreign Policy White Paper, issued by the Department of Foreign Affairs and Trade (DFAT).

The AICD is the world's largest director institute and is committed to excellence in governance. We make a positive impact on society and the economy through governance education, director development and advocacy. Our more than 39,500 members include directors and senior leaders from business, government and the not-for-profit sectors from Australia and around the world. Internationally, we deliver world class governance courses and events, and have approximately 1,500 international members in more than 70 countries across Asia, the Pacific, the Middle East, Europe and America.

Australia has diverse interests that span the globe. Which countries will matter most to Australia over the next 10 years?

Australia is a small, open export-oriented economy that benefits greatly from engagement with other countries. Over the period ahead, the AICD envisages that Australia's interest will ever more be tied to the rapidly growing and developing economies of Asia, which already receive 70% of our goods exports.¹ Over time, the mix of exports from Australia increasingly will shift more towards services, including tourism, (already a major export earner) education, health care and the other professional services.

China, which already takes one third of Australia's good exports, clearly has a major role to play here. China already is a major source of tourist arrivals and tertiary students, as well as Australia's largest market for so-called hard commodities including coal and iron ore. The AICD already has a presence within Australia's largest trading partner, and looks to make further engagement with Chinese enterprises an important priority in the years ahead.

The AICD operates in a range of additional countries, including Singapore, Hong Kong, United Arab Emirates, Saudi Arabia, Papua New Guinea, Fiji and New Zealand. In these markets, we deliver governance courses, networking events and provide member

¹ ABS statistics catalogue 5368.0 – International Trade in Goods and Services, Australia, December 2016

services. Our priority markets are determined by the size of the AICD's existing foothold and number of current members, the potential market size, expected GDP growth and two-way trade, potential scalability of course delivery, strength of potential partners, ease of doing business, market need and demand for governance training.

Australia is an influential player in regional and international organisations. Which regional and global organisations matter most to us? How can we maximise our influence?

The AICD recognises the importance of maintaining a strong presence on the international stage to both inform domestic policy and act as a good global citizen. The AICD became a member of the World Economic Forum (WEF) in October 2016. We are one of only four Australian WEF members and are currently Australia's sole Business Representative. AICD members have already contributed to the WEF 2017 Global Risk Survey, and there is opportunity to further develop Australia's contribution to long-term global economic and social policy making through this membership. The AICD believes that this engagement will bring added benefits to both our members and the Forum, which is the world's premier organisation for the promotion of debate on important economic and social issues confronting our leaders.

The AICD is the founding member of the Global Network of Director Institutes (GNDI), which is a network of membership organisations for directors from countries such as Australia, the UK, US, Canada, Malaysia, New Zealand, Brazil and South Africa. Membership of the GNDI provides us with a forum to demonstrate the leadership of Australian directors internationally, and to share expertise in corporate governance and professional director development. It also gives our members reciprocal rights across a network of 19 equivalent organisations around the world. By engaging members of the GNDI through AICD, Australia is well placed to play an influential role in international governance standards.

Australia needs to be ambitious in grasping economic opportunities. What steps should be taken to maximise our trade and investment and expand commercial opportunities for Australian business?

The AICD is particularly concerned about the recent lurch towards a more populist protectionist agenda in several major economies, particularly the U.S. We advocate strongly that such populist policies, including ill-advised buy local campaigns and higher tariffs, ultimately will be counter-productive. Australia depends on healthy growth in global trade for our prosperity, and protectionist policies likely will contribute to slower growth in world exports, and perhaps even a fall. History has shown that economies benefit most by a more open flow of goods and services across borders, not short term focussed policies aimed at propping up inefficient or failing local industries.

Longer term, there is much more to be done in advancing the reform agenda in Australia, which has stalled in recent decades. The AICD has advocated for a reduction in both the corporate and personal tax rates, as well as a higher rate of the goods and services tax applied to a broader base. We also advocate strongly for tax reform at state level. This combination of policies should help to make Australia a more efficient and productive place to do business, encouraging much-needed investment and employment. Our future prosperity depends on a sustained improvement in productivity, which has stalled in recent years.

The AICD's position on taxation reform, fiscal sustainability, and measures to support innovation and entrepreneurialism are laid out in our publicly-released policy agenda *Governance of the Nation, A Blueprint for Growth*.²

In relation to our own work, the AICD has successfully delivered public and in-house governance courses in many locations in the Asia Pacific region, and we expect further expansion of our international operations. Factors which impede our ability to expand further include legal and regulatory barriers, such as a recent administrative law in one country requiring NGOs to conduct activities through a representative office or through a local partner. Other barriers include local taxes, legal and regulatory requirements, political instability, security concerns, local competition, currency fluctuations, business culture and language barriers.

Australia confronts a range of strategic, security and transnational challenges. How can Australia best deal with instability beyond our borders?

The AICD aims to provide leadership on director issues and promote excellence in governance to achieve a positive impact for the economy and society. As a highly developed and advanced governance market, Australia is uniquely placed to improve governance standards internationally, creating more prosperous, peaceful and stable economic and social partners. We suggest the government consider partnering with organisations like the AICD to enhance governance standards within the region, including the capabilities of national governments.

The AICD has delivered director and board development, in both the public and private sectors, in Papua New Guinea, Indonesia and Fiji, bringing skill sets to boards that would otherwise be unable to access such training opportunities. Through working with both private and public sectors, Australia can instil and develop globally recognised best practice governance, including strong policy oversight, to organisations responsible for transnational security and the mitigation of national and international threats.

Australia uses a range of assets and capabilities to pursue our international interests. How can Government work more effectively with non-government sectors, including business, universities and NGOs?

Organisations in the non-government sector contribute significantly to Australia's international activities, including not-for-profit organisations (NFPs). Combined, our NFPs employ over one million Australians and charities alone have a combined annual income in excess of \$100 billion. NFPs are subject to fractured and complex regulatory and funding arrangements³, and must navigate a changing operating environment while managing the expectations of stakeholders from government, regulators and the community.

In the AICD's 2015 NFP Governance and Performance Study⁴, directors from across the NFP sector called for a more collaborative and mature relationship with government. The AICD seeks reforms that will strengthen and improve the landscape for NFP organisations. Short-term and fluctuating government funding cycles work against long-term planning and good governance. The AICD notes the risks NFP directors face as

² Available at: http://www.companydirectors.com.au/~media/resources/director-resource-centre/policy-on-director-issues/2016/aicd_governance_of_the_nation-a_blueprint_for_growth.ashx

³ Further information on the need for fundraising reform is available here: http://aicd.companydirectors.com.au/~media/cd2/resources/advocacy/policy/pdf/2016/05610-pol-fundraising-reform-document-guidelines-joint-a4_v15.ashx

⁴ Available at: <http://www.companydirectors.com.au/director-resource-centre/not-for-profit/key-findings-from-the-2015-nfp-governance-and-performance-survey>

funding arrangements are changed, withdrawn or delayed, exposing entities to the potential for insolvent trading. We are calling for the adoption of a best practice model for government funding agreements to establish: five-year cycles for funding agreements, with six- months' notice of termination (where appropriate and feasible); outcomes focused reporting for NFPs; freedom of voice in public debate for government funded NFPs and their boards; and investment in internal governance and capacity building as part of all funding agreements.⁵

The AICD itself as an NFP has previously worked with DFAT and Austrade to develop regional capability in a number of countries. We seek to continue collaboration with the Australian Government to further the AICD's aim of enhancing good governance, including by providing case studies for government publications, leverage trade delegations to priority markets, build networks in country, co-brand events in markets where the badge of government is necessary, identify keynote speakers and leverage DFAT's public diplomacy program. We look forward to further work in partnership with the Australian Government to raise Australia's profile internationally and to cement our reputation as a nation demonstrating good governance.

If you would like to discuss this submission, please do not hesitate to contact Mr Edward Palmisano, Head of International, on (02) 8248 2713 or EPalmisano@aicd.com.au.

Thank you for the opportunity to comment on the Foreign Policy White Paper.

Yours sincerely



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⁵ Further information is available in the AICD's publication *Governance of the Nation: A Blueprint for Growth*, available at: http://www.companydirectors.com.au/~media/resources/director-resource-centre/policy-on-director-issues/2016/aicd_governance_of_the_nation-a_blueprint_for_growth.ashx