

Asian trade and investment

Much of the world's future economic growth is concentrated in Asia. Australia geopolitical priorities must recognise these shifts, and businesses must emphasize offshore growth.



China will become the largest economy



1 bn+ affluent Asian customers



Huge advantage from Asian connectivity



An outward-looking mindset is critical

Australia's success over the last thirty years has been driven first and foremost by a once-in-a-lifetime leap in demand for our natural resources, including iron ore and natural gas. Over the near term, this created a massive boom in mining construction. Looking ahead, the good news is that this demand will continue for at least several more decades at least, driven by ongoing Asian region industrialization and urbanisation.

The downside, however, is that these hugely capital-intensive projects created relatively little employment once the construction phase was over. And those that are owned by foreign interests channel their profits offshore, so they create relatively little benefit for Australia. So Australia's resources exports cannot, by themselves, ensure Australia's future prosperity.

Fortunately, great opportunity lies at our doorstep. The growth of the Chinese economy, and many others in Asia, will dwarf the USA and Europe for decades to come, driven by inescapable economic forces. These economic shifts are seismic in importance and are as predictable as night following day. As a result, Asia's middle class will expand by a billion people over the next 10 to 20 years. This will create huge ongoing demand for other major Australian exports, including food and agricultural commodities, as well as soft exports such as education and tourism.

These shifts are already apparent in our airports, cities and shopping centres, but to capitalise on them fully, Australia's trade agenda should centre unapologetically on Asia, and on extending Australia's global relevance beyond resources. There are six critical areas on which the Australian Government should focus.

First, Australia must continue to develop its economic and political relationships in the Asia-Pacific region.

This will build on existing arrangements, including the revised Trans Pacific Partnership (the Comprehensive and Progressive Agreement for Trans-Pacific Partnership), which has now been ratified by Australia, Canada, Japan, Mexico, New Zealand and Singapore.

The annual heads of government meeting with China should be reinstated, and efforts to broaden and deepen senior relationships in both business and government across Asia should continue.

In pursuing this objective, it remains critical to understand how the cultures and objectives of each nation differ from each other, and indeed from our own perspective.

Second, Australia must shoulder its geopolitical role in the region with confidence. Australia is the world's 14th largest economy, and will continue to occupy a strategically important physical position in the South Eastern half hemisphere of the world. As the only major land mass between Africa and South America – and owner of several critically located islands in the Indian and Southern oceans – Australia is a critical staging post for any nation wanting to project power in the region, as America is well aware. This provides a helpful balancing influence between the USA, China and Japan, a role that Australia should continue to play with confidence.

Australia should also seek much stronger economic ties with the UK and Canada, particularly in relation to areas such as technology and financial services. These three countries share several common elements of history, including both European and indigenous heritage, cultural diversity, and relatively progressive, outward looking politics. Together, these three nations represent a slightly larger economic block than Japan. To each other, they represent relatively attractive export markets that have familiar business cultures and practices, making a natural pathway for business development.

Much more could and should be done to build relationships between the countries, and to showcase the success stories. As physical proximity becomes less and less important to international trade, the opportunities for closer collaboration between these nations become greater and greater.

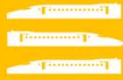




Focus on Asia



Lead with confidence



Engage more closely with the UK and Canada



Reposition Austrade and EFIC



Redefine Australia's brand



Support all exporters as well as expatriate entrepreneurs

New initiatives are required to support exporters of goods and services as well as expatriate entrepreneurs. These include changes to the operation of the export markets development grants, which are strongly biased to traditional exports of physical goods. Much greater recognition is needed of the role played by exporters of services, as well as of the very different requirements of Australia-based tech companies seeking to expand globally.

We should demand that our leading companies adopt a more outward-looking strategic approach, seeking to build growth offshore, rather than depending too heavily on comfortable oligopolies at home. Whether they will do so, of course, remains to be seen.

We must urgently consider the role played by Australian entrepreneurs who are building significant businesses headquartered offshore and the opportunities that this may create to support and encourage greater entrepreneurship at home.

In pursuing these objectives it's important to recognise that the nature of international trade and business development will change. As a result, **the approach and focus of both Austrade and EFIC should be repositioned** to better match the emerging opportunities. This would entail a stronger focus on providing services designed to support IP-rich, technology-focused exporters and inbound investors, as well as prospectively ever closer co-operation between these two organisations, to maximise their reach and impact.

Finally, Brand Australia needs to be reimagined to fit a more progressive, export-oriented brief. New Zealand has built a powerful voice in international markets through the application of its highly effective "100% pure New Zealand" brand, which is equally relevant to agricultural exports and inbound tourism.

Similarly, the UK's endlessly adaptable "Everything is Great" campaign neatly captures both the history and

prospects of world-leading capability across many industries and segments, and has proved and highly effective.

As yet, Australia has no widely-recognised brand or brand essence, other than that we are a huge country that is far away.

In short, both Australia and Australians are popular, but no-one really knows what type of party to invite them to, or where to send the invitation.

This is, admittedly, a slippery challenge to solve, but one that is of fundamental importance to the nation's psyche and longer-term success.

Finally, it is notable that both US and UK politics has shifted in the direction of short-term political opportunism, often with little grounding in economic or scientific reality. In contrast, much of China's domestic and foreign policy is geared towards delivering sustainable economic and social prosperity over much longer time frames.

No one trading partner is a panacea for Australia's growth, highlighting the importance to Australia of adopting a confident, truly international world view, but Asia's long-term mindset and long-term growth prospects must be our centre of attention.

