

Australia Best Practices

Australia's Trade & Investment Strategy for Asia

February 28, 2014



BRITISH COLUMBIA
Ministry of International Trade

Strategy, Policy and Performance Branch
Suite 730 - 999 Canada Place
Vancouver, BC V6C 3E

Table of Contents

EXECUTIVE SUMMARY & RECOMMENDATIONS

1 Chapter 1: Introduction

- 1 Consulting & Research Objectives
- 1 Scope of Research & Analysis
- 3 Research Methodology

5 Chapter 2: Roles and Responsibilities of Key Agencies

- 5 Australian Trade Commission
- 7 Department of Foreign Affairs & Trade
- 8 State Trade & Investment Promotion Agencies

12 Chapter 3: Strategic Priorities

- 13 Strategic Framework for Identifying Priorities
- 15 Prioritization Criteria – Federal
- 18 Prioritization Criteria – State
- 20 Market Segmentation
- 22 Investment Attraction Priorities

24 Chapter 4: Strategic Alignment

- 25 Organisation
- 29 Management
- 31 Resources

32 Chapter 5: Government-to-Government Engagement

- 33 Bilateral/Multilateral Engagement
- 35 Soft Diplomacy
- 40 Levels of Government in G2G engagement

43 Chapter 6: Government-to-Business Engagement

- 44 G2B Approaches
- 46 Lead Generation Tactics
- 50 Stakeholder Partners

52 Chapter 7: International Marketing

- 53 Content Marketing
 - 54 Public Relations
 - 55 Brand Australia
 - 58 Perceptions Research
 - 58 Search Engine Optimization/Marketing
-

59	Chapter 8: Performance Measurement
60	Investment & Trade Metrics Used
64	Decision-making Response
65	Chapter 9: Trade and Investment Statistics
66	Statistical Systems
67	Differences versus Canada
72	Chapter 10: Service Delivery
72	Austrade-Tailored Consulting Services
74	Financial Support Mechanisms
77	Chapter 11: Public Champions
78	The Role of Senior Officials
79	The Role of Senior Business Leaders
80	Coordination of Roles
81	Chapter 12: Federal-State Partnership
82	Cooperative Approach
83	Formal Agreements & Cost Sharing
84	Alignment and Leverage
85	Successful State Initiatives
89	Chapter 13: Overseas Diaspora
90	Leveraging the Asian Diaspora in Australia
91	Asian Alumni
92	Overseas Australians
94	Chapter 14: Public Education
95	Asia Literacy
97	Other Education Initiatives
99	Asian Languages

Executive Summary & Recommendations

The Executive Summary & Recommendations are organized by Chapter. The issues covered by Chapter include the following:

-  Chapter 1 summarizes the study aims, the main objective being to identify best practices of Australia's federal and state trade and investment promotion agencies. It also reviews the required project scope and methodology used: in depth interviews with senior trade and promotion managers in Asia, Canada and Australia supported by extensive desk research.
-  Chapter 2 reviews the relative roles and scope of operation of the following Australian federal and state government agencies: The Australian Trade Commission (Austrade), The Department of Foreign Affairs & Trade (DFAT) and the leading State trade & investment promotion agencies.
-  Chapter 3 examines the criteria and process by which Australian investment promotion agencies identify priority markets, industry sectors and investment attraction priorities, including the identification of priority sub-markets (e.g. at city level).
-  Chapter 4 considers the structure of Australia's international in-market trade and investment representation, and how staff in Australia are organised, including the relationship between in-market and domestic staff and assigned resources.
-  Chapter 5 assesses Australia's approach to bilateral and multilateral government-to-government engagement in order to open up these markets to Australian trade, including specific tactics used, including 'soft' diplomacy tactics (e.g., knowledge transfer, disaster relief and reconstruction, etc.). It also reviews which levels of government are engaged.
-  Chapter 6 is concerned with government-to-business engagement, Australia's approach to promoting working with businesses and specific lead-generating tactics used. It also looks at the role of players other than government and businesses, such as industry associations and civil society.
-  Chapter 7 considers Australia's international marketing in respect of specific techniques used to attract investment (e.g. public relations, search engine marketing, search engine optimization, content marketing), including which of these techniques have proved to be most effective in the Asian market context.
-  Chapter 8 examines the way in which success in trade and investment promotion is measured, including whether they reflect the quality of inputs/outputs and how performance measures inform future decision making.



Chapter 9 is concerned with Australia's trade and investment statistics, specifically the systems used to track inward and outward trade and investment and how they differ from systems available in Canada. The scope of this chapter was widened to include an analysis of Australia's support for outward investment.



Chapter 10 examines the issue of user-pays service delivery by Australia's trade and investment services. In practice only Austrade uses this approach—although the State agencies will expect to be recompensed for out-of-pocket expenses relating to such costs as translation services and hotel and transport costs incurred for a dedicated client.



Chapter 11 explores the role of public champions—State Premiers and Federal and State Ministers—in promoting trade and investment. The participation of senior business leaders in promoting trade and investment is also reviewed as well as the coordination of these roles.



Chapter 12 reviews the nature of federal-state cooperation to promote trade and investment. It reveals the mechanisms, such as they are, that govern interaction as well as cost-sharing delivery models used. The alignment of state government initiatives with those of Austrade/DFAT and notable state trade and investment initiatives are also considered.



Chapter 13 surveys the Asian overseas diaspora, trying to determine if Australia has a specific strategy for leveraging connections between Australian residents from Asian countries of origin and their home countries in order to promote trade and investment—it does not.



Chapter 14 asks what is being done to prepare the Australian population to address opportunities in Asia (e.g., promotion of Asian language learning, partnerships between educational institutions, student exchanges, etc.), and to counter any negative perceptions to increased trade and engagement with Asia.

On the following pages, the report summarizes the Best Practices (and key findings that impinge on best practices) for Chapters 3-14.



Asia Market and Sector Prioritization - Best Practices

Austrade, and some of its state counterparts, partly eschew the market and sector matrix model, preferring to take a “strategic view of the opportunity set,” a process that has proven to be “a source of great pain” for Austrade at least. Nonetheless, market and sector priorities remain important, as does market segmentation. It is also worth noting that political imperatives can take precedence.

- Australia’s (Austrade’s) strategic framework for identifying priority markets, sectors, and investment attraction priorities is determined by several core principles: (i) an open economy is desirable; (ii) business internationalisation is inevitable and essential; (iii) Australian businesses faces serious impediments (including in Asia); (iv) Australia is a mid-sized economic power; and (v) Australia’s fortunes are closely aligned with those of Asia.
- Australia’s inward investment must: achieve economic benefits for the country, including the introduction of new skills or technologies; increase competition; fill gaps in global supply chains in high value-added activities; and support desired economic restructuring. Market prioritization is a function of sources of investible funds.
- At the federal level, economic benefit is measured in terms of high-value exports, investment dollars and job creation. This assessment, together with an appraisal of industry requirements for industry servicing/capacity building, results in the classification of industry strategy in terms of the following options: (1) target and develop; (2) defend and grow; (3) build niche; and (4) diversify delivery. This is a conceptual rather than strategic tool—Austrade refuses to pick industry ‘winners’.
- Austrade often breaks new ground in relation to dynamic market opportunities using ‘skunkworks’ teams, small groups of people who collaborate on a project in an unconventional way with minimal management constraints. It develops themes—which may involve an industry cluster—and presents these to relevant commercial interests, but cannot insist on uptake.
- At the state level, economic benefit is typically measured in terms of growth in business investment, growth in Gross State Product per capita, growth in designated critical industries (e.g. professional services, advanced manufacturing, digital economy, and international education and research), growth in international state exports and growth in jobs (and share of jobs in less developed state areas).
- Countries used to be segmented by Austrade according to geographic region (e.g. Northeast Asia, Southeast Asia)—but no longer. Within Asia, and globally, markets are grouped by type: (a) East Asia Growth Markets (high growth frontier markets); (b) Established Markets (transparent, primarily investor markets; in Asia only Japan qualifies for inclusion); (c) Growth & Emerging Markets (wholly about trade—in Asia, the Indian sub-continent).
- Austrade has identified so-called second tier cities as key sub-markets for stronger representation; in Asia, these tend to be clustered in China, India and Japan. The rationale: these are opaque ‘frontier’ markets, meaning they will require a higher level of agency support for commercial success. They may also exhibit a strong latent demand for internationalization. Lacking the resources for a tier 2/3 city market segmentation, the Australian States tend to focus on either gateways cities (typically major commercial centres) or Sister State relationships (SSRs).

Chapter 3

Recommendations

3.1

Assess Asian market priorities in the global context. Essentially, this is the approach taken by NSW to assess all markets based upon a worldwide ranking, thereby providing the initial evidence-based business case for the allocation of resources for Asia as a whole, and for individual Asian markets. Data points to be compiled by MITBC (data permitting) would include: (1) current Asian sources of productive inward investment, (2) current major markets for export of BC goods and services, and (3) international markets with strong ongoing economic growth.

3.2

Subsequently, MITBC should prioritize international industry sectors for the prioritized markets. Once again, the process would be fact based and should include: (1) the demands and needs of the priority overseas markets, (2) the sector strength in terms of existing exports and foreign direct investment, (3) the potential for growth based on market opportunities, and (4) an assessment of BC's competitive advantage.

3.3

Include intangibles among market prioritization criteria. While the abovementioned approach is rigorous and would be undoubtedly illuminating, it may be subject to data availability and data quality issues. It may also overlook important intangible aspects—such as those used by Austrade. For trade:

- ◆ Markets in which “the value of the ‘badge of government’ is highest”. Asia, and in particular China, is thought to be a region in which potential investors find comfort in initial and direct access to senior government
- ◆ Markets in which government plays a significant role in the economy—on the assumption that market failure will be strongest in these locations
- ◆ Markets in which—in a commercial sense—there is a lack of access to relevant information which may impede Australian businesses from identifying commercial opportunities and entering those markets
- ◆ Markets where language and business culture present a significant barrier
- ◆ Markets characterized by less openness of regulatory frameworks
- ◆ Markets where there are difficulties accessing distribution channels and commercial connections

3.4

Place greater weight on sources of investible funds. For both state and federal trade and promotions agencies, overall market prioritization appears to be weighted towards sources of investible funds (actual weighting systems, if any, were not made explicit). Besides the use of US\$ targets, softer criteria such as the following may bear including in any MITBC prioritization model:

Recommendations

3.5

- ◆ Introduction of new skills or technologies in priority sectors
- ◆ Increase in domestic market competition
- ◆ Filling of gaps in global supply chains in high value-added activities
- ◆ Support for desired economic restructuring

That Austrade differentiates between “Growth” and “Established” markets, allowing for appropriate resourcing and tactics, is logical.

Don't pick 'winners'. The aim should be to have strategic view of the opportunity set and it is important that MITBC does not promote favoured industries based upon its own analysis. This is most appropriately the role of BC's commercial enterprises. Austrade manages to be proactive in identifying strategic opportunities and yet remain industry agnostic. It identifies, describes and disseminates strategic opportunities, but will abandon them if industry does not respond with enthusiasm.



Strategic Alignment - Best Practices

The general trends have been to increase investment in overseas offices and staff relative to the home market, consolidate support functions and management in Australia and leverage synergies across trade, investment, education, tourism and even nation branding. Strategic alignment is primarily about producing results in the form of business opportunities.

- Austrade has moved away from a ‘push model’ to one which is ‘demand driven’. It is the role of its overseas posts to scour Asian and other markets for opportunities aligned with Australia’s capabilities. The mission of trade and investment commissioners is the discovery of ‘contestable’ and ‘actionable’ opportunities. Contestable opportunities are ones which Australian companies have the capability, capacity and interest to pursue.
- Staff in Austrade is organised by industry sector(s), and is pushed to develop initiatives in teams, ones that cross sector boundaries and reflect the fullness of demand, rather than narrowly defined sector definitions.
- Responsibility for investment, education and tourism promotion is centralised with Austrade’s trade function. This reduces duplication and maximises the efficient use of the resources invested in Austrade’s international network. Austrade reports synergies between these functions, which enables it to identify and present much broader opportunities and outcomes than would otherwise have been possible.
- All corporate functions, including marketing, are wholly managed out of Austrade HQ in Sydney in order to enable a more coordinated approach within Austrade. This also facilitates a better aligned whole-of-government and Brand Australia logic.
- The model of having regional management offices and Regional Director positions (e.g. for North East Asia) has been discarded, with senior management all based in Australia. The former organisational structure was considered to be needlessly expensive and to have caused “unhealthy behaviour” (competing fiefdoms within Austrade).
- The emphasis is on client-focused operational personnel: Austrade employs around 1,000 staff, of which approximately 60% are employed in overseas locations and another 15% in client-facing roles in Australia.
- In Austrade, more cost-effective, locally hired Business Development managers are retained as permanent staff; Trade Commissioners, typically Australian residents, number only 1-2 persons per post. Some of the state agencies (e.g. TIQ, NSW) also report a greater emphasis on using local staff on local packages, rather than Australian expatriate staff. The benefits: the right local staff is better at relationship management and is less expensive.

Chapter 4

Recommendations 4.1

Organise by industry teams. It is important that client-facing staff have the right industry taxonomy and understanding of key issues. Austrade’s investment directors must be able to identify, screen and qualify target investors in sectors that align with policy priorities, determining a strong rationale for investment and compelling case for Australia.

4.2

Deploy specialised investment commissioners/managers. Austrade has 14 staff in Asia dedicated to inward investment: China – 5, Singapore – 2, India – 2, Japan – 2 and one in each of South Korea, Taiwan and Thailand.

Recommendations**4.3**

Avoid management layers. Regional offices and regional management structures were tried and failed by Austrade—even in definable sub-regions such as ASEAN or Greater China. Senior Trade Commissioners report directly to three Sydney-based GMs of International Operations, one for each the three types of markets globally (see below).

4.4

Centralise corporate functions in Head Office. Austrade reports that this management structure is more cost effective. Moreover, centralised systems and codes of conduct can be more easily enforced. Good corporate governance should never be neglected, as Austrade has found to its cost.

4.5

Align resources by type of market, not geographic territory:

- ◆ Investment source markets ('Established Markets') >> Dedicated investment managers and greater use of partners, referrals and online information and services.
- ◆ Frontier trade markets ('Emerging Growth Markets') >> Trade development and education services
- ◆ Adjacent East Asian Growth Markets >> Closer client enterprise servicing and support

4.6

Empower in-market staff. If opportunities are eminently codifiable they are also likely to be equally accessible to all the competition. Opportunities should be 'diamonds in the rough' and preferably longer-term in nature. Hence, in-market staff must have the freedom to proactively identify, research and qualify these opportunities, working on themes in teams.



Government-to-Government Engagement - Best Practices

Australia leaves no stone unturned in its G-to-G engagement with its generous aid program, backed by the vigorous pursuit of multiple bilateral and multilateral trade agreements and efforts to leverage its impressive Asia alumni.

- For trade advocacy, Australia sees no inherent conflict in the concurrent pursuit of multilateral and bilateral approaches to market opening in Asia. Both medium-term (free trade agreements) and longer-term trade negotiations are pursued in parallel. Australia's has negotiated multiple FTAs, including with: (a) Singapore (SAFTA); (b) Thailand (TAFTA); and (c) ASEAN (AANZFTA).
- Australia is also heavily invested in Asia forums such as The East Asia Summit (EAS, a regional leaders' forum for strategic dialogue and cooperation on key challenges facing the East Asian region) and The Asia-Pacific Economic Cooperation (APEC). Sectorial and issue-specific market access lobbying also has its place in Australian diplomacy.
- Australia, recognizing that it is a mid-sized economy (like Canada/BC). It lacks significant international market power and so relies more heavily on soft power.
- International education provides Australia with an opportunity to build relationships and leverage networks with alumni for positive medium and longer-term regional outcomes.
- Australia's aid program is centred on the region, even as former Asian recipient countries such as China and India become major donors. In 2010, 58% of the aid budget was expended in Asia, the second-highest proportion among all OECD Development Assistance Committee donors, after South Korea.
- The new Australian government is moving to link aid with trade and other economic interests.
- Australia is heavily invested in Asia forums such as The East Asia Summit (EAS, a regional leaders' forum for strategic dialogue and cooperation on key challenges facing the East Asian region) and The Asia-Pacific Economic Cooperation (APEC).
- Chinese students and researchers usually seek residency after completing their studies or academic tenure—Australia is strengthening the resulting knowledge networks and collaboration with global research, technology and innovation centres, growing academic linkages.
- Australia's states and cities have developed strategic engagement plans for key Asian markets and/or sub-regions.
- Sister cities relationships are extensive and are leveraged assiduously; some Australian cities have multiple sisters in single Asian market (China and India it seems have no shortage of city candidates).
- Australia is surveying its civil servants and developing a strategy for raising Asian capabilities within government.

Chapter 5

Recommendations 5.1

Prioritise, align and strengthen BC's sister-state, sister-city and other Asian partnerships to reflect international and regional engagement strategies by:

- ◆ undertaking a BC stocktake of existing, lapsed and inactive sister and friendship agreements and MOUs
- ◆ developing a centralised registry of Government-to-Government relationships coordinated by MITBC

Recommendations

- ◆ allocating a BC champion for each agreement, assuming the responsibility for maintaining the relationship
- ◆ aligning the focus of any treaties, sister-city/provincial agreements, MOUs and other co-operative instruments with BC's priority markets and sectors
- ◆ aiming for fewer, but deeper relationships built around BC's strategic and economic imperatives

5.2

Engage BC alumni in a coordinated and proactive way for the benefit of the broader relationship, including by:

- ◆ the possible use of alumni advisory boards—featuring high profile Asian business and community leaders
- ◆ the use of in-market social and business networks of BC alumni (e.g. Facebook and LinkedIn)
- ◆ Co-opting in-market prominent BC alumni business leaders. For example, TIQ in Tokyo used a senior Yahoo Japan manager and Queensland alumnus as an ambassador for an informal get together of other alumni

5.3

Facilitate better access to Asian markets, by concluding free trade agreements with key trading partners. Currently Canada is pinning its hopes in this regard on the conclusion of the Trans Pacific Partnership (TPP), an agreement which is quite limited in its geographic scope.

5.4

Become a partner of choice for leading research hubs (China, India, Japan, South Korea and Singapore) in research, scientific and skills development collaborations supported by partnerships between governments, academies and institutions. To maintain competitive advantage, BC may need to lift its R&D capabilities and leverage its academic workforce, including Asian-Canadian researchers.

5.5

Target aid to priority Asian countries and have a disaster relief preparedness focused on the region. Globally, Australia is the sixth-largest international donor to Asia. Australia seems to have followed Canada's lead in absorbing AusAID—the equivalent of CIDA—emphasizing economic diplomacy and more closely tying aid to foreign policy/trade goals.

5.6

Nurture an Asia-capable BC Public Service (BCPS). Australia has recognised that all government employees need to understand the relevance of Asia and Australia's place in the region and be able to work with different cultural perspectives. This latter capability is important not only for engaging in and with Asia, but for serving Australia's multicultural community and working effectively in a diverse public service workforce. Work on a strategy is ongoing.



Government-to-Business Engagement - Best Practices

Austrade and the State agencies engage with business on multiple levels, both directly and through intermediaries. Filtering and segmentation of businesses can lift overall efficiency of engagement. Stakeholder partners / online tools are used to engage export unready clients. Managing large numbers of partners is a challenge. Investment leads in Asia rely on traditional relationship selling, built on developing personal rapport and trust.

- A 2011 review of Austrade’s value proposition in trade and investment promotion accented the need for increased focus on “opportunity identification and distribution”.
- The primary focus of Austrade staff is to proactively identify business opportunities—merchandise or service exports—for Australian companies that are highly specific in terms of potential value and product/service requirements.
- Austrade is planning to expand its successful TradeStart program as a means to extend government-to-business engagement into more remote areas of the country.
- In 2012, Austrade successfully launched its International Readiness Indicator, an online tool that filters export aspirants, directing those enterprises with more basic needs to appropriate support.
- The cornerstone of Australia’s government-to-business development activity is its proprietary, sophisticated CRM (customer relationship management) system.
- Austrade has moved away from big, set piece “come-visit-this-big-market” type of missions as have most of the states. It prefers missions of smaller groups of 10-15 companies focused on a specific issue or problem.
- Austrade works closely with key market and hub event trade show organisers to ensure that Australia’s most promising companies are made aware of the event.
- Inward investment leads are generated by in-market teams of investment experts. The process for both institutional and corporate investors is similar: identify investor targets, develop a relationship and present well-aligned investment opportunities.
- Austrade promotes the use of state-level export support programs usually delivered through chambers of commerce and similar organisations. Industry associations and chambers of commerce are active participants. City Business Councils may have International Business Taskforces that run discussions groups and speaker sessions on trade and investment strategies, encouraging knowledge-sharing among locally-based businesses.
- “Opportunity” seminars by industry sector are widely used to good effect, both in Australia and in Asian cities.
- Reinvestment, a major contributor to overall investment, should not be overlooked in the search for new leads. Victoria visits every large company in the state once a year.

Chapter 6

Recommendations 6.1

Increase trade and investment promotion outreach in BC through the use of a qualified network of advisors/stakeholder partners. These could be contracted associates (as in Australia’s TradeStart program) or peak industry associations or chambers of commerce. Build in flexibility to readjust network for maximum efficiency and maintain at a manageable number.

Recommendations

- 6.2** Partner with abovementioned industry partners to promote outward trade missions to priority markets/sectors and inward investment missions. Austrade has moved away from big set piece “come-visit-this-big-market” type of missions as have most of the states. Victoria State accents the use of super trade missions which it claims is a highly successful format (especially for entry level companies).
- 6.3** Use Asia-based business development teams supported by sector experts in Vancouver to proactively develop market opportunities for exporters. Then disseminate specific market opportunities, as identified, as widely as possible as relevant. This new approach of Austrade, although experimental, is already being adopted by some States. Businesses must be encouraged to opt into the relationship management system, or they will lose out on these business leads.
- 6.4** Augment the analytical and research capabilities within the MITBC, at home and in overseas markets, to strengthen the ministry’s capacity to generate analysis of regional trade and economic trends and the associated opportunities.
- 6.5** Encourage participation (as attendee or exhibitor) in prioritised trade shows (key shows or hub events) and work with trade show organisers to ensure that all BC companies that could benefit prospects are invited.
- 6.6** Invest in developing in-market people-to-people linkages, exploiting alumni and other networks as available. Particularly in Asian countries, successful businesses report an upfront investment in relationships of up to several years prior to realising rewards.

CHAPTER
7

International Marketing - Best Practices

While Asian inward investment in Australia is growing, the so-called ‘Established Markets’ remain the largest sources of foreign investment for Australia. Consequently, for investment most of Austrade’s marketing efforts and resources are directed toward the important investment markets of North America, Europe and Japan. Assessing the role of marketing in isolation is difficult—while important, the emphasis remains on business development.

- Marketing techniques such as public relations, search engine optimization and content marketing are not considered primary tools for attracting investment.
- Both Austrade and most States provide content for prospective investors, including supposedly objective international rankings of Australia’s competitiveness (The Australia Benchmark Report), which is used for PR purposes.
- Industry Capability Reports (ICR) are designed to address a typical investor’s information requirements for a specific industry; they also reduce the workload for onshore industry and the administrative burden on the states/territories.
- Opportunity reports, produced in collaboration with external consultants, provide useful market entry data and analysis for specific segments.
- Austrade administered the A\$20m ‘Australia Unlimited’ branding campaign, which repositioned Australia in the minds of prospective investors (from ‘Lucky Country’ to ‘Smart Country’)—but attempts to make the brand ubiquitous have been less successful.

Chapter 7

Recommendations

7.1

Increase promotion of Vancouver and BC as competitive and attractive locations for international companies to invest and locate their operations by:

- ◆ creating an engaging and informative online presence for Asian investors, where possible in local languages (TIQ in Shanghai reports that potential investors typically have poor English)
- ◆ developing market-specific and industry-specific communication strategies (industry capability reports) for priority markets. While ‘Australia Unlimited’ has not been widely adopted by business, the sub-brand ‘Future Unlimited’ has been picked up by education institutions and now has a life of its own
- ◆ marketing BC as ‘the place to do business’ or possibly ‘entry point’ for North America. While Australia suffered from an inaccurate perception, it is not clear what (if anything) resonates about British Columbia. Vancouver may have a stronger image
- ◆ maintaining a professional range of marketing collateral profiling BC’s economic, industry sector and regional advantages for investors
- ◆ developing consistent messaging for use by all BC government officials. A large media campaign—along the lines of Australia Unlimited—is probably too much, but some aspects on the online campaign may be useful



Performance Measurement - Best Practices

Austrade uses a wide variety of metrics to assess organisational performance; individual performance is subject to more discretion in relation to the quality of outcomes. The State trade and investment promotion agencies are also leaning in this direction, but tend to be more dollar-value-of-deals driven.

- Australia has moved away from purely quantitative metrics to include subjective assessment of the quality of opportunities generated; hard metrics are still important, being used in conjunction with qualitative assessments and for the important purposes of external reporting on organisational performance.
- Individuals within Australian trade and investment promotion agencies are still assessed based on the quality of outcomes rather than the quality of inputs—but outcomes are evaluated with some flexibility.
- Reported trade performance measures (Austrade as an organisation): (1) the number of Australian companies that export goods and services; (2) qualified export leads; (3) number of services rendered / number of businesses serviced; (4) service satisfaction of exporters.
- Reported inward investment performance measures: (1) identification of emerging trends and opportunities; (2) identification of relevant market themes (e.g. Emerging MNCs in Asia); (3) number of site visits; (4) number of State ‘assists’.
- The dollar value of investment facilitated is also important for Austrade and the various State agencies, but is less likely to be externally reported due to the notorious lumpiness of investment.
- Trade and investment metrics are tracked by market/region and by sector. In this way, trade and investment promotion agencies can track achievements according to strategic priorities (see Chapter 3).

Chapter 8

Recommendations

8.1

Ensure that some element of qualitative assessment is built into overall measurement, using hard metrics (see below) as leading indicators of organisational performance and early warning indicators of issues with individual performance.

8.2

Stress the importance of team KPIs and collaboration to proactively develop “opportunities” that are actionable, contestable and preferably long-term and strategic in nature.

8.3

For trade promotion measures, choose from:

- ◆ The number of BC companies that export goods and services (and registered on clean CRM system)
- ◆ Qualified export leads
- ◆ Number of services rendered
- ◆ Number of businesses serviced
- ◆ Service satisfaction of exporters
- ◆ Number of trade opportunities (service/merchandise) identified
- ◆ Contribution to ‘whole-of-government’ policy development

Recommendations 8.4

For investment promotion measures, choose from:

- ◆ Identification of emerging trends
- ◆ Generation of specific opportunities
- ◆ Conversion rate of opportunities
- ◆ Number of site visits
- ◆ Frequency of State 'assists'
- ◆ Contribution to 'whole-of-government' policy development



Trade & Investment Statistics - Best Practices

Australia appears to be more advanced than Canada in its compilation of key data.

- Two key areas in which BC is perhaps deficient in comparison to Australia in its monitoring of trade and investment flows are: (1) service exports (as opposed to merchandise exports); (2) outward investment.
- Like Australia, BC is predominantly a service economy. Australia's DFAT produces detailed annual statistical reports on international trade in services (by type of service and direction of trade), including at the state level.
- The Australian Bureau of Statistics (ABS) provides Balance of Payments data on outward FDI by industry, and separately by country.
- Australia uses outward investment data in market opening / market access negotiations, as well as evidence of business linkages. However, ABS does not produce statistics on the international investment position at the state level.
- Being an island, Australia does not suffer any statistical leakage of re-exports through third-party ports. Canadian government trade commissioners suspect that BC merchandise exports to Asia are understated. The transshipment of cargo via US West Coast ports and/or minimal value add and re-export of cargo in the US may obscure Canada's true trade position with Asia.
- Austrade plays lip service to its mandated role of supporting Australian enterprises that want to invest overseas. In practice, support for outward investment is a low priority for Austrade and its counterpart state agencies, especially in relation to inward investment and the promotion of Australian exports. It is politically sensitive to be seen to be assisting the exporting of jobs, even if there is a convincing business rationale.

Chapter 9

Recommendations 9.1

Find the means to accurately track service exports by category at the provincial level. With Australia's transition to a service economy ongoing—it was recently announced that the country's last two automotive plants are to close—state and federal agencies use service export data by category to help them prioritize regional and global opportunities and to allocate resources accordingly.

9.2

Invest in improved decision-support statistics. Statistics required for fact-based strategic decision making include: (1) the composition of services trade by country/region; (2) services trade by state/territory; and (3) direct investment—inward and outward—by industry.

CHAPTER
10

Provision of Fee Based Services - Best Practices

Assessing whether charging for services has been successful is challenging, even for the organisation concerned. Aspects of the Austrade model (customization, simple process, hourly fee, minimum hours) are the product of many years of trial and error—and can be considered best practices.

- Austrade claims success in streamlining its service delivery to improve efficiency through the introduction of general and tailored services.
- General services are non-charged services under two hours, while tailored services are charged out at a uniform fee of A\$190/hour for service support; the individual States typically do not charge for similar services.
- The service requests are usually highly customized; an attempt to introduce a structured service package failed for this reason.
- The range of tailored services includes: (1) market/country research; (2) partner and customer identification; (3) appointment scheduling and support; (4) follow-up to initial introductions; (5) market promotions.

Chapter 10

Recommendations 10.1

Weigh the relative costs and benefits of charging for customized market entry and market expansion services. Some pluses and minuses to consider:

Pluses:

- ◆ Payment pushes clients to take on these responsibilities themselves—the process itself can be beneficial to the client’s level of market understanding
- ◆ Payment provides proof of seriousness; otherwise, agency staff may waste a considerable of time, in Austrade’s words: “on tire kickers”
- ◆ With individual project fees usually in A\$1,000-3,000 range, the revenue can significantly defray the salary costs of local hired business development managers, and help build a business case for more overseas offices
- ◆ A user pays model is likely to be more acceptable to taxpayers

Minuses:

- ◆ A flat hourly fee may unfairly discriminate against the smaller enterprises, which are usually the companies most in need of the consulting-type support
- ◆ Not all agencies charge for services (only Austrade) and reportedly some States tell Australian enterprises not to use Austrade and save the money by using the State’s services (if they have an office in the appropriate country)
- ◆ Trade and Investment agencies should not become publicly-funded fee charging consulting companies, crowding out the role of private advisory companies because they are subsidized

Recommendations

◆ Experienced trade commissioners should be able to tell the difference between genuine trade enquiries and time wasters. Moreover, on line tools can help sort the wheat from the chaff.

The final decision should also include an assessment of client perception and potential acceptance of fees in the context of free services provided by other federal and state agencies.



Public Champions - Best Practices

*All the Australian trade and promotion agencies rated the value of public champions very highly. **Coordination** of roles is sporadic; trade mission coordination is more operational rather than strategic.*

- Australia not only recognises the importance of public sector champions, but actually prioritises those markets in which public champions have the most weight and influence.
- Both the States and federal government use ministerial-level delegations frequently, reportedly with significant success.
- Multiple State Ministers travelling together on so-called Super Trade Missions can help create a greater impression and generate more interest.
- The promotion of ‘celebrity CEOs’, leaders of internationally-renown companies, does not appear to be a current practice for Austrade or the State trade and investment agencies.
- Austrade has successfully co-opted businesspeople to present at networking events on Australia’s broader commercial attractions.

Chapter 11

Recommendations 11.1

Increase the frequency of senior government missions. Despite some concern about mission congestion, especially in the high priority markets, there is a strong consensus among the State and federal agencies that the net benefit is positive.

Ministers without a direct trade and investment objective should represent the broader economic agenda when visiting markets.

11.2

Improve the commercial outcomes of ‘Public Champion’ visits to priority markets, ensuring:

- ◆ Premier’s missions are focused on high-level meetings with government and business leaders in the highest priority markets
- ◆ An annual calendar of Ministerial trips is prepared covering all of BC’s top Asian priority markets, timed to follow up on opportunities created by the Premier’s meetings
- ◆ Ministers travelling on portfolio-related trips visit secondary markets related to the industry sector (e.g. the Philippines for Agrifoods), and
- ◆ Information is shared on the visit program, the purpose for each appointment and responsibilities for follow up action.

11.3

Create an annual calendar of trade and investment-focused Ministerial visits to priority markets, with the annual calendar co-ordinated by relevant departments (possibly in consultation with other provinces and federal government). Where possible, the schedule of trips should be aligned to significant events and business opportunities in key markets.

11.4

Use visit outcome reports to track and drive delivery of outcomes and follow up.



Federal-State Partnership - Best Practices

In principle, there is agreement among the States and federal government that cooperation and collaboration is mutually beneficial. Austrade's mantra for working with the state agencies: "hunt as a pack".

- Effective contribution to whole-of-government policy is a specific performance measure for Austrade.
- An agreed state-federal alignment of sector priorities serves to coordinate promotion activity. Outside these sectors, the States are not required to respond to investment leads provided by Austrade, and Austrade itself is only committed to facilitation rather than promotion.
- The most important coordination mechanism is the Investment Lead Protocol. It outlines how Austrade interacts with the States/Territories to share the investment leads on an impartial basis.
- High level, federal-state joint committees have been established to coordinate trade and investment promotion policy and operations.
- Mutual training courses/workshops and (some) shared resources and databases align interests and practices.
- South Australia and NSW trade and investment promotion agencies co-locate with Austrade in a number of High Commissions and Embassies.
- Successful/innovative State initiatives include: Super Trade Missions to priority markets, an e-trade portal for SMEs in Japan, a membership shared-office for new entrants and an 'Export Lab'.

Chapter 12

Recommendations 12.1

Engage with all federal agencies actively engaged in the international space (e.g. DFAIT, EDC) to co-deliver core services and activities such as:

- ◆ promotion of BC capabilities
- ◆ investment and export facilitation services, and
- ◆ delivery of Premier-led trade missions and exhibitions.

12.2

Explore the potential for reducing the cost of the international network by sharing office space with federal or state agencies that have an international footprint. For sharing with the federal government, financial gains may be offset by practical limitations such as issues of high security access to government buildings (post-9/11). Cost sharing with other states (e.g. New West Partnership) may be a good solution.

12.3

Adopt the following hierarchy to inform decisions on the establishment of stand-alone overseas offices (political constraints and practicalities notwithstanding):

- ◆ consolidation of overseas representation through a single point of Canadian representation
- ◆ if possible, employment by federal government of BC staff in overseas offices
- ◆ co-location in 'Canadian Business Centres' of state/federal government representatives where critical mass permits

Recommendations**12.4**

Develop a structured program to inform the Trade Commissioner Service (and others as relevant) of trade and investment opportunities in BC.

12.5

Capitalise on federal government initiatives and programs (in Australia these would include those outlined in the *Australia in the Asian Century White Paper 2012*), as relevant by:

- ◆ influencing federal government policy levers (via Canadian equivalent of COAG/NIAB committees, white papers, etc.)
- ◆ leveraging federal government initiatives, especially where they align with BC's strengths and capabilities by sector
- ◆ driving operational relationships with federal government agencies to enhance BC international trade and investment leadership.

12.6

Implement a BC-federal protocol on investment leads (if one is not already in place). For Australia this is the cornerstone coordination mechanism. The Investment Lead Protocol describes how Austrade interacts with the States/Territories to share the investment leads, which it develops or receives.

The basic principle of the protocol is equal opportunity for the states. In Australia, the system works reasonably well, although both Austrade and the States concede that the level of cooperation is largely determined by personal relationships at the local level. While the protocol adds an administrative burden and can cause delays in responding to prospective investors (compiling state responses), the alternative would be chaos.

12.7

Establish effective federal-state oversight committees and a close operational working relationship. In Australia, The Senior Officials Trade and Investment Group (SOTIG) was established in April 2012 and meets twice a year. It aims to grow trade and investment by improving coordination and collaboration between the Commonwealth and state governments—a 'Team Australia' approach. It provides strategic direction to the more operationally focused National Investment Advisory Board and the National Trade Development Working Group.

At a working level Austrade has a relationship manager for each state; NSW reports that this person works out of its offices one week a month. (Austrade and States still run separate CRM systems.)

12.8

Learn from successful/innovative Australian State initiatives. These include: Super Trade Missions (>100 companies) to priority markets (a specialty of Victoria), an e-trade portal for SMEs in Japan and a membership shared-office for new entrants (TIQ) and an 'Export Lab' (NSW).



Overseas Diaspora - Best Practices

The large Asian (notably Chinese) diaspora in Australia plays an important role in facilitating business, cultural and education connections, while bringing an understanding of Asia/China to Australian communities.

- Australia does not have a coordinated strategy for leveraging connections between Australian residents from Asian countries of origin and their home countries—neither at the state nor federal level.
- Even if Asian nationals reside permanently overseas, they tend to maintain close professional and personal links with their mother country, creating knowledge and business networks. Reportedly, some Australian banks have tried to exploit these linkages, with some success.
- Individuals residing in Australia under the new Significant Investor Visa scheme provide an easily identifiable group of targets. While still at an early stage for best practices to evolve—the government is hoping to nurture reinvestment post-migration.
- The more significant opportunity, according to state and federal investment agencies, is engagement with the many Asians who have studied in Australian schools and tertiary institutions then returned to their home countries. Australia is rallying these groups using awards ceremonies, in-market seminars and networking events.
- State-level social/business networks, including Asian alumni, prior Asian residents and Australian expatriates has proven to be useful in expanding networks.
- Australians living abroad is another network that can be tapped. States are including these groups in their alumni and “friends of Victoria, NSW, etc. networks”.

Chapter 13

Recommendations 13.1

Harness the benefits of Asian migrants to BC, and build on the community status in Canada, e.g. in specific skills. Encourage British Columbians of Asian origin to play a more prominent role in connecting the two regions, Asia and North America. There should be continued efforts to better integrate Asian students within the broader BC community (in line with federal immigration aims), through internships, job placements and networking.

13.2

Look elsewhere for models of diaspora engagement. Neither Austrade nor those states with high concentrations of Asian first-generation immigrants appear to have made a concerted effort to engage with these communities. There are numerous Asian community and cultural associations and there are some business groups, e.g. the Chinese Business Association, which hosts business seminars. However, according to multiple sources, there is no proactive, systematic policy to engage with these groups, at least not for the purpose of promoting trade and investment.

13.3

Engage with BC alumni. One likely reason for Australian disinterest in the local Asian diaspora is the higher priority given to Australia-educated school and university alumni. Many Australian-educated Asian alumni now hold prominent positions in government and public sectors in many Asian cities; others are top-level professionals managing privately-owned businesses.

Recommendations

There is broad consensus among Australian trade and investment promotion professionals that Australia's Asian alumni is the most powerful (often underutilized) resource in gaining access to higher echelons of governments in Asia as well as C-suite Asian businesspeople. At the federal level, the student pool is large and collaboration more difficult. The States, notably Victoria, claim some success in networking with this group. Austrade also runs seminars to engage with returned alumni.

13.4 Rally BC alumni through award ceremonies. Austrade administered events have proved popular and awards can even be tailored to strategic sector priorities: e.g. BC Alumni Award for Excellence in Education; Research and Innovation, the Digital Media, Agrifoods, etc.

13.5 Emulate Australia's State-level social/business networks that include Asian alumni (e.g. BC Singapore Facebook or LinkedIn). The often repeated refrain that success in business in Asia depends on personal relationships is also true for trade and investment promotion. Cold calling works better in some jurisdictions than others—but should always be a last resort. Hence, the vital importance of developing business networks and linkages.

13.6 Encourage 'significant' productive investors. In a similar scheme to Canada's defunct Immigrant Investor Program, Australia's new Significant Investor Visa (SIV) provides residency in return for a much higher investment of A\$5m (vs. C\$800,000) in a local business or approved fund. Eyeing the potential for reinvestment, Austrade and State agencies are allocating resources to facilitate SIVs, hopeful of attracting productive investment. These high net worth immigrants will be obvious targets for networking—some Australian banks have reportedly tried to engage with them.

CHAPTER
14

Public Education - Best Practices

Asia is to Australia what the US is to Canada; Australia is increasingly Asia's hotel, farm and quarry and the importance of trade and engagement with Asia, notably China, is widely accepted.

Unfortunately, in Australia 'Engagement with Asia' has come to be seen as a Labour Party mantra by the electorate and the issue has been politicized—to the detriment of the cause. Clumsy intervention in the name of Asia engagement (e.g. in the national curriculum) has not helped.

- In October 2012, the Australian Government released the Australia in the Asian Century White Paper, which outlines Australia's objective to build stronger and more comprehensive relationships across the Asian region. The document is an excellent blueprint for strategic engagement.
- A cornerstone of Australia's public education is enhanced 'Asia literacy', the development of a strong cohort of young Australians that not only speak an Asian language but also have understanding of the histories, geographies, arts and literature of Asia.
- The government wants to offer Asian language studies to every Australian child from their first day of school by 2025; priority languages include Japanese, Chinese, Hindi and Indonesian.
- A new initiative is the so-called Reverse Colombo Plan, which foresees large numbers of Australian undergraduates sent to study and work in Asia under a long-term A\$100m scheme.
- Australia is home to numerous government-supported Asian Institutes and Programs that specifically support soft power Asia literacy goals.

Recent trade and investment issues have also created unease: Chinese purchases of farmland; animal cruelty issues in live sheep/cattle trade with Indonesia; and residential property prices spikes in metropolitan centres blamed on Asian investors. These, along with the country's illegal immigrant issue, are frequent foci of negative perceptions towards increased trade and engagement with Asia. However, amid the politicized engagement debate, it is not clear that Australia has a sustained policy to mitigate the issue.

Chapter 14

Recommendations 14.1

Sponsor a 'BC in the Asian Century White Paper', possibly in collaboration with BC-based Asia Institutes such as those attached to leading universities or organisations such as the Asia Pacific Foundation of Canada. Australia's version of this document—an initiative of the then prime minister Julia Gillard—generated huge publicity, was widely disseminated and informed trade and investment policy at all levels of government. Such a White Paper could usefully include specific priority market strategy reports.

14.2

Encourage the cross-curriculum introduction or expansion of Canada/BC's engagement with Asia in all subjects from Foundation to Year 12. BC is a big exporter of educational services and the strengthening of Asia related curricula may benefit exports also. A replication of Australia's Access Asia Schools program in BC would schools acknowledged for their implementation of Asia literate curriculum.

Recommendations 14.3

Build and expand programs that support teachers, schools and school leaders to achieve Asia literacy for BC students. One of the most successful programs in Australia is the BRIDGE Project, a blended model of face-to-face teacher professional learning and online engagement that connects teachers, students and school communities with their counterparts in Asia to raise awareness and understanding of contemporary Australia and Asia.

14.4

A more ambitious project could be a program to financially support large numbers of BC undergrads to study and work in the region as part of their degree courses. This is a new long-term initiative, but if it works as well as its predecessor the Colombo Plan, it could reap extensive public education outcomes, at home and abroad.

14.5

Include the voices of Canadian citizens of Asian descent. These have been noticeably absent from the debate in Australia. BC citizens with Asian background, in common with migrant groups generally, and especially those with a different ethnicity, tend to keep their heads down and avoid engaging in such discussions.

14.6

Embark upon a deliberate policy of highlighting the positive contributions Asian Canadians make to BC life in general. This approach has been attempted from time to time in Australia, mostly under Labour governments seeking to demonstrate the pay-off from 'multiculturalism' –itself also now a loaded political term. This should go beyond the traditional way in which governments have tried to demonstrate the benefits of Asian engagement, i.e. through the roll-out of economic statistics on the percentage of trade with 'Asia', etc. New approaches need to surprise the average citizen, forcing them to reassess their perceptions about Asia generally, as well as simply demonstrating a specific benefit.

For example, instead of thinking about Asia as a 'poor region' that needs 'our' capital and technology, highlight cases where Asian VCs have helped collaboratively to finance R&D in BC. What this would show is: (i) that 'Asia is capital rich' (ii) that Asian investors are capable of behaving collaboratively in ways that directly benefit Australian universities, SMEs, etc.

Chapter 1

Introduction

Consulting & Research Objectives

The overarching objective is to perform a best practices analysis of Australia's trade and investment promotion strategy, which includes:

① Best Practices Review

- Reviewing Australia's trade and investment strategy from 2003 to the present (including covering the recent change in administration) to grow trade with Asia.
- Working with Australian officials identified by Ministry staff to gather relevant information that is not publicly available in order to better understand their approach to investment attraction, trade promotion and international marketing in Asia, under the direction of the Ministry.
- Identifying best practices—focusing on key strategies and initiatives at the federal and state level—that have been successful in promoting trade and investment.

② Recommendations for BC

- Recommending possible options for best practices that British Columbia could potentially adapt and implement as a provincial jurisdiction.

Scope of Research & Analysis

The scope of the study was defined by the following key questions:

1. Setting priorities – does Australia have a strategic framework for identifying priority markets, sectors, and investment attraction priorities? What criteria are used? Are markets assessed on a country-wide basis or are sub-markets (i.e. cities and regions) assessed as well? Is there a systematic and regularly adjusted list of investment attraction priorities?
2. Alignment to deliver results – what is the structure of Australia's international in-market trade and investment representation, and how are staff in Australia organized (i.e. according to market, sector, program, etc.)? How is the relationship between in-market and domestic staff governed? What are the resource levels assigned to deliver on trade and investment objectives (per capita spending and staff to funding ratio)?
3. Government-to-government engagement – for markets that have been identified as priority, what is Australia's approach to bilateral and multilateral government-to-government engagement in order to open up these markets to Australian trade (e.g. ASEAN countries), and what specific tactics are used

(including e.g. building capacity of government officials to engage with Asian governments)? Are any 'soft' diplomacy tactics used (e.g., knowledge transfer, disaster relief and reconstruction, etc.)? What levels of government are engaged?

4. Government-to-business engagement – for markets and companies identified as priorities, what is Australia's approach to promoting working with businesses? Are specific lead-generating tactics more effective than others (e.g. trade shows, B2B events)? Are players other than government and businesses involved, such as industry associations, civil society, and others?

5. International marketing – what marketing techniques are used to attract investment (e.g. public relations, search engine marketing, search engine optimization, content marketing)? Of these techniques, which have proved most effective in Asian markets?

6. Performance measurement – how are results measured in terms of attracting investment and promoting trade? What specific performance measures are used, and do these measures focus only on outputs/outcomes (i.e. number of export deals signed) or do they also reflect the quality of inputs (i.e. staff performance in providing export services)? How do performance measures inform future decision making?

7. Trade and investment statistics – what statistical systems does Australia utilize to track inward and outward trade and investment? How do they differ from systems available in Canada?

8. Service delivery – some of Australia's trade and investment services are delivered through a formal program model and on a fee-for-services basis. Has this approach been successful?

9. Public champions – what is the role of the Prime Minister, state Premiers and other high-level officials such as Ministers in promoting trade and investment? Is there a role for senior business leaders in promoting trade and investment? How are these roles coordinated?

10. Federal-state partnership – how do the federal and state governments work together to promote trade and investment? Are formal mechanisms such as Memoranda of Understanding and cost-sharing delivery models used to govern these relationships? Do state government initiatives align with or leverage activities at the federal level? Are there any state trade and investment initiatives that have been particularly successful?

11. Overseas diaspora – does Australia have a specific strategy for leveraging connections between Australian residents from Asian countries of origin and their home countries in order to promote trade and investment? If so, how effective have these efforts been?

12. Public education – does Australia engage in any activities to prepare the Australian population to effectively seize opportunities in Asia (e.g., promotion of Asian language learning, partnerships between educational institutions,

student exchanges, etc., and to counter any negative perceptions to increased trade and engagement with Asia?

Research Methodology

The project methodology followed the following stages:

Stage 1 – Internal Review and Project Set up

- (a) Review of the relevant sections of the benchmarking report provided by the Province;
- (b) Sharing of relevant insights and BC bases for comparison (e.g. BC trade and investment statistics system)
- (c) Exchange of potential primary research contacts;
- (d) Refinement of the analytical framework; and
- (e) Discussion of any sensitivities.

The deliverable of this stage of work was an agreement on a detailed project work plan.

Stage 2 – Secondary Research

Extensive secondary research was undertaken to: (1) guide and support the primary research efforts; (2) collate market insights on the Australian government's past and present organization, strategies and policies; and (3) profile the success of Austrade in attracting investment and promoting trade. Relevant sources included Australian government agencies, multilateral agencies that assess trade and investment promotion best practices (e.g. UNCTAD), academic periodicals and journals, etc.

Secondary sources

- A competitive benchmarking report, provided by the Province, which includes a section on Australia.
- Reports, strategies, action plans and any other strategic documents available publicly on Australia's federal trade and investment activities and approach in Asia.
- Reports, strategies, action plans and any other strategic documents available publicly on relevant state governments that have been particularly successful in growing trade with Asian markets.
- Reports, strategies, action plans and any other strategic documents not available publicly and provided by Australian government officials on Australia's trade and investment activities and approach in Asia.

Stage 3 – Primary Research

Tasks in the primary research effort included: (1) identifying key personnel; (2) recruiting respondents; (3) developing an interview guide based on the key questions outlined above in this section; and (4) conducting/transcribing interviews.

Interviews were conducted with the following targets (total n=10-15):

- Interviews with current regional Senior Trade Commissioners
- Interviews with ex-regional Senior Trade Commissioners
- Interviews with senior Austrade management in Sydney/Canberra

- Interviews with senior management of State trade and investment promotion agencies
- Interviews with industry observers
- Other interviews as relevant (e.g. Australian Bureau of Statistics).

The deliverables from stages 2 (secondary research) and 3 (primary research, as completed) provided the inputs for the summary of the Best Practices Review and the best practices review report.

Stage 4 – Recommendations

The final stage of the study includes the development of a final deliverable set of recommendations that could potentially be implemented by BC, based upon the key findings of the Best Practices Review.

Chapter 2

Roles and Responsibilities of Key Agencies

In this study, the following Australian government agencies are reviewed:

- Australian Trade Commission
- Department of Foreign Affairs & Trade
- State Trade & Investment Promotion Agencies

Key Points

- Austrade is the lead federal agency for promoting trade and investment and has also been given responsibility for education and most recently tourism. Austrade is part of DFAT's portfolio.
- The Department of Foreign Affairs & Trade (DFAT) is the lead agency managing Australia's international presence. It provides foreign, trade and development policy advice to the government and takes the lead in bilateral, regional and multilateral trade negotiations.
- Like Canada, Australia's individual states/territories each have their own trade and investment promotion agencies.

Australian Trade Commission

The Australian Trade Commission (Austrade) assists Australian businesses, education institutions, tourism operators, state governments and citizens in:

- developing international markets;
- winning productive foreign direct investment;
- promoting international education;
- strengthening Australia's tourism industry; and
- accessing consular and passport services.

This is achieved by generating market information and insights, promoting Australian capabilities, developing policy, making connections through an extensive global network of contacts, leveraging the badge of government offshore and providing quality advice and services—all with the appropriate standards of ethical behaviour.

More specifically, Austrade's trade and investment promotion:

- helps Australian companies to grow in international markets, including through administration of facilities such as the Export Market Development Grants (EMDG) scheme and the TradeStart program.
- provides government assistance to attract and facilitate productive foreign direct investment (FDI) into Australia.
- provides advice to the Australian Government on related policy issues.
- manages the "Building Brand Australia" program to enhance awareness of contemporary Australian skills and capability and enrich Australia's global reputation.

Austrade does not assist with real estate and portfolio investments (except for tourism infrastructure), straight acquisitions, hostile takeovers or investments by individuals.

A brief history of Austrade

■ Austrade was established in 1986 as an independent "one-stop shop"

A review by the then-government recognized that integration of trade, industry and economic policies in support of the private and public sectors was necessary to achieve an environment which was conducive to the development of internationally competitive and export-oriented Australian industries. It was concluded that export marketing should be rationalized and consolidated into one body: "a one-stop shop". Austrade was established as a statutory authority so that it would have the flexibility and independence of management to respond quickly to changes in international market conditions.

■ Austrade moves offshore

In 1991, following a review by McKinsey and Co., Austrade was reorganized to position resources offshore, in support of markets where government support was viewed as being able to make a significant difference—a principle which persists to this day. Six Regional Director positions were established overseas, each reporting directly to the Managing Director.

■ Funding constraints reduces Australian network

In response to funding cuts in the 1996-97 Budget, Austrade was again restructured with major resource savings made in the Australian network. At the same time, another review of Business Programs was conducted, including assistance provided to Australian firms to address the time, costs and risks associated with exporting.

■ A focus on new exporters

In 2001-02, in response to the then-government's policy to double the number of Australian exporters over a 5-year time frame, Austrade refocused priorities and reallocated resources to meet this goal. This involved directing a higher proportion of Austrade's resources to assisting new exporters. Also in 2002, a new Invest Australia agency was established within the then-Department of Industry Tourism and Resources (DITR) and Austrade ceased to have the Australian inward investment attraction function.

■ Austrade becomes an agency

In July 2006, Austrade ceased to be governed by a Board under the Commonwealth Authorities and Companies Act 1997 and become an agency under the Financial Management and Accountability Act 1997 and the Public Service Act 1999, managed by a Chief Executive Officer (CEO).

■ Major review of Austrade's structure and operating model

Another major review commenced in July 2010, this time with two external consultants. Several small posts in North America and Europe were closed, and there was a rationalization of effort in Australia to release resources to strengthen trade and investment representation in growth and emerging markets with high commercial potential, and where the challenges faced by firms are greatest.

■ Tourism research and policy

In 2013, Austrade's brief was further widened with the additional of responsibility for tourism research and policy. Tourism infrastructure investment was already part of Austrade's mandate.

Department of Foreign Affairs & Trade

The primary role of the Department of Foreign Affairs & Trade (DFAT) is to advance the interests of Australia and Australians internationally. This includes working to enhancing Australia's prosperity, delivering an effective and high quality aid program and helping Australian travellers and Australians overseas.

The department provides foreign, trade and development policy advice to the government. DFAT is the lead agency managing Australia's international presence. It manages a network of 96 overseas posts worldwide with more than 4,200 staff located in state and territory offices, Canberra and overseas posts. An additional 2,400 are employed overseas as locally-engaged staff.¹ DFAT is responsible for working with other government agencies to ensure that Australia's pursuit of its global, regional and bilateral interests is coordinated effectively.

DFAT supports the Minister for Foreign Affairs, the Minister for Trade and Competitiveness, the Parliamentary Secretary for Trade and the Parliamentary Secretary for Pacific Island Affairs in the conduct of Australia's foreign and trade policy. Six agencies make up the portfolio:

- Department of Foreign Affairs and Trade
- AusAID (Australian Agency for International Development)
- Australian Trade Commission (Austrade)
- Australian Secret Intelligence Service (ASIS)
- Australian Centre for International Agricultural Research (ACIAR)
- Export Finance and Insurance Corporation (EFIC)

DFAT takes the lead in bilateral, regional and multilateral trade negotiations. It is engaged in on-going bilateral trade agreement negotiations with China, India, South Korea, Japan and Indonesia. (In Asia, bilateral agreements are already in place with Malaysia, Thailand, Singapore, New Zealand and ASEAN.)

¹ DFAT Annual Report, 2012–2013

State Trade & Investment Promotion Agencies

The four main states with Asia regional trade and investment promotion offices are Queensland, Victoria, South Australia and Western Australia (see below). New South Wales (NSW) had been absent from the Asian market, in terms of its own offices, for some years, believing that Sydney/NSW did not need promoting in the aftermath of the Olympic Games.

The rationale for separate state-level trade and investment promotion agencies are as follows: (a) each has its unique regulatory environment with tax regimes, employment policies and environmental standards for example; (b) there is a need for timely, detailed business information at the state level; and (c) the individual states will inevitably have different sectorial priorities, reflecting different comparative advantages, capabilities and resources (Victoria for example has few mineral resources). Ultimately, the most telling reason for multiple state agencies in addition to Austrade is that the states compete with each other for many types of inward foreign direct investment.

① State Government of Victoria (VIC)

www.investvictoria.com

The majority of VIC overseas offices are located in Asia. Within Asia, a six-person staff office in Tokyo covers Japan and South Korea, the latter market also has a consultant on permanent retainer. The ASEAN countries are managed out of Kuala Lumpur (six staff), with a proactive brief to cover Malaysia and Singapore and a reactive brief to cover the other ASEAN markets, with the exception of Indonesia. Indonesia is new priority and has its own staff, which will increase to six. China with around 22 staff is another priority market; Shanghai is the 'hub', and there are offices in Beijing, Chengdu and Nanjing in Jiangsu Province (a 'sister' state to Victoria). Hong Kong used to be a hub office, but it has been downgraded to a staff of 2-3 with its resources reallocated to Shanghai. In India, VIC has an office in Bangalore and another small office in Mumbai (total staff of 10).

A typical VIC hub office will provide support for trade, investment and education. One staff member will be assigned to each of these portfolios. In addition, there is a Commissioner, an Office Manager and a Whole of Government Manager (responsible for marketing and logistics).

② Government of Western Australia (WA)

www.dsd.wa.gov.au

Western Australia's International Trade and Investment Offices fall under the auspices of The Department of State Development. The State government's international strategy is to concentrate resource "In the Zone", the 60% of the global population that share Perth's time zone. Seven of its nine international offices are located in Asia. China has two offices, in part because Zhejiang Province (whose capital is Hangzhou), has a Sister State Relationship with Western Australia; the other Chinese office is in Shanghai. The most recently opened office, just two years old, is Singapore, the first new WA overseas office in 17 years. The choice of Singapore (which also covers Malaysia proactively) reflects its importance as a source of funding for the State's many energy, resources and infrastructure projects.

The primary inward investment functions of the overseas network are relationship building with financial institutions, government and government linked companies. Sector focuses are Oil & Gas/mineral resources, agriculture, tourism and medical infrastructure and financial services.

③ Trade and Investment Queensland (TIQ)

www.export.qld.gov.au

TIQ has an extensive network of offices throughout the world, with most (11 out of 16) located in Asia. The newest office, opened in late 2013, is in Jakarta. The average office would have 5-7 staff, all but one of which (the Commissioner) is locally engaged as opposed to 'Australian-based'. The trend is to migrate TIQ offices to being wholly locally staffed. The focus is on developing Queensland's strengths in 'four pillars': tourism, agriculture, resources and construction. Inward investment has become a higher priority, relative to trade.

④ Trade and Investment New South Wales (NSW)

www.trade.nsw.gov.au

Relative to its size, NSW currently has a small network of international offices, both in Asia (Mumbai, Shanghai, Guangzhou and Shenzhen) and globally (additional offices in Dubai and New York). Between 2005-09, NSW had no overseas offices. It still takes a minimalist approach. The headcount of each office is only 2-3 local hires and Austrade represents NSW in some locations. However, a major strategic review in 2013 will see the opening of new offices in Seoul and three ASEAN markets designated as top 10 priority markets globally: Kuala Lumpur, Singapore and Jakarta. In some cases, to reduce overheads, these new offices may be co-located with Destination NSW (the agency that promotes the state's tourism and events sector), which already has offices in Japan, UK and Singapore. This may help confirm the business case for these new international offices.

⑤ Department for Manufacturing, Innovation, Trade, Resources and Energy (DMITRE) in South Australia

www.dmitre.sa.gov.au

The South Australian Government has commercial representation in key target markets. Overseas staff members provide export assistance to South Australian businesses and help attract business investment and migration to the State.

State Trade & Investment Agency Asian Presence					
	TIQ	NSW	SA	Victoria	WA
CHINA					
Beijing	■			■	
Guangzhou	■	■		■	
Shanghai	■	■			■
Jinan			■		
Hangzhou					■
Nanjing				■	
Chengdu				■	
ASEAN					
Ho Chi Minh	■				
Kuala Lumpur		■		■	
Singapore		■			■
Jakarta	■	■		■	■
INDIA					
Mumbai	■	■		■	■
Bangalore	■			■	
JAPAN					
Tokyo	■	■	■		■
Kobe					■
SOUTH KOREA					
Seoul	■	■	■		■
TAIWAN					
Taipei	■				
HONG KONG					
Hong Kong	■		■	■	
Total Asia	11	4	2	9	8
Rest of World	5	2	1	4	2

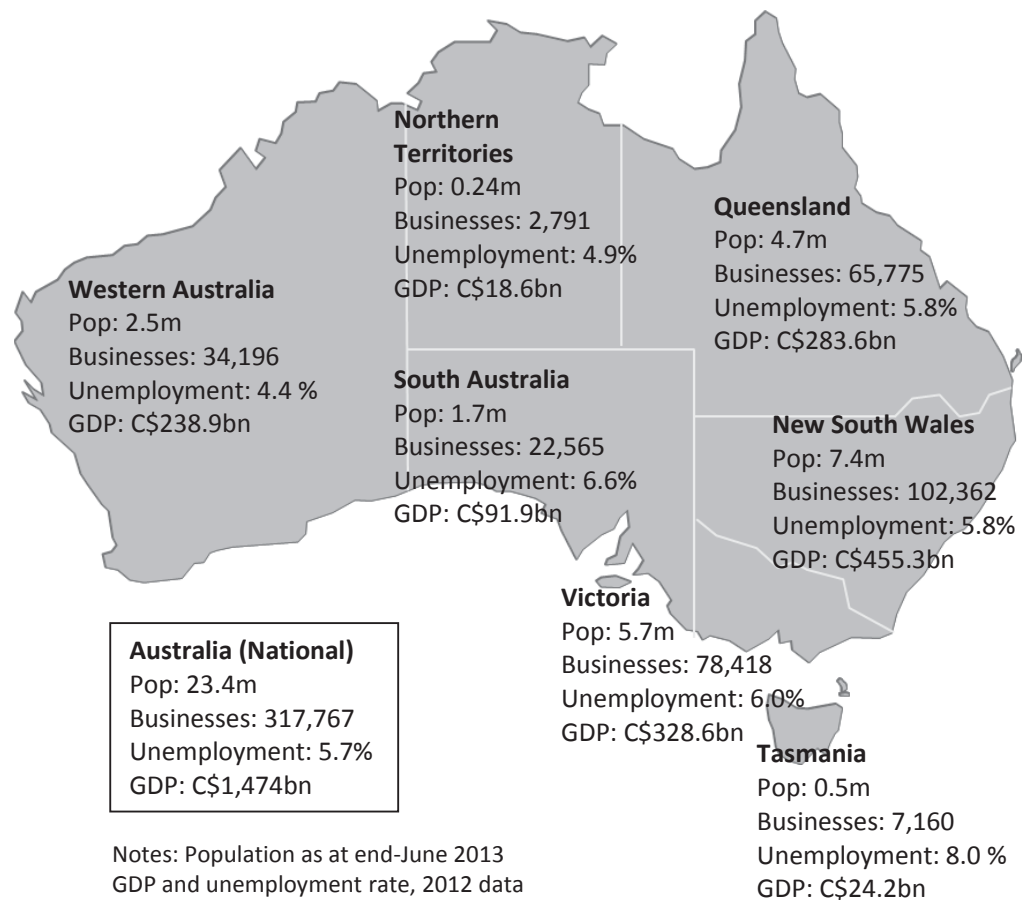
■ New NSW Asian offices planned following a strategic review in 2013.

Source: Various trade and investment promotion agencies/departments

State / State Trade & Investment Promotion Agency Indicators

	Queensland	Victoria	West Australia	NSW
Agency mandates	(1) Int'l trade & investment	(1) Int'l trade & investment (2) Education	(1) Int'l trade & investment	(1) Int'l trade & investment (2) Tourism
Parent/total agency annual budget (C\$m)	28.4	91.7	n/a	n/a
Total primary T&I Operating Exp Foreign domestic (C\$m)	Total 27.7 F 5.55 / D 22.18	Total 33.0 F / D n/a	n/a	n/a
Foreign offices	16	13	10	6
Total T&I staff / Foreign	T 240/F 53	T 79/F 52	T 65/50	T 130/15

Source: agency websites, annual reports



Chapter 3

Strategic Priorities

In this chapter, the following strategic planning-related issues will be considered:

- Does Australia have a strategic framework for identifying priority markets, sectors, and investment attraction priorities?
- What prioritization criteria are used?
- Are markets assessed on a country-wide basis or are sub-markets (i.e. cities and regions) assessed as well?
- Is there a systematic and regularly adjusted list of investment attraction priorities?

Strategic Priorities - Best Practices

- Australia's (Austrade's) strategic framework for identifying priority markets, sectors, and investment attraction priorities is determined by several core principles: (i) An open economy is desirable; (ii) business internationalisation is inevitable and essential; (iii) Australian businesses faces serious impediments (including in Asia); (iv) Australia is a mid-sized economic power; and (v) Australia's fortunes are closely aligned with those of Asia.
- Inward investment must: achieve economic benefits for Australia, including the introduction of new skills or technologies; increase competition; fill gaps in global supply chains in high value-added activities; and support desired economic restructuring. (Political goals may take precedence.) Market prioritization is a function of sources of investible funds.
- At the federal level, economic benefit is measured in terms of high-value exports, investment dollars and job creation. This assessment, together with an appraisal of industry requirements for industry servicing/capacity building results in the classification of industry strategy in terms of the following options: (1) target and develop; (2) defend and grow; (3) build niche; and (4) diversify delivery. This is a conceptual rather than strategic tool—Austrade refuses to pick industry 'winners'.
- At the state level, economic benefit is typically measured in terms of growth in business investment, growth in Gross State Product per capita, growth in designated critical industries (e.g. professional services, advanced manufacturing, digital economy, and international education and research), growth in international state exports and growth in jobs (and share of jobs in less developed state areas).

- Austrade often breaks new ground in relation to dynamic market opportunities using 'skunkworks' teams, small groups of people who collaborate on a project in an unconventional way with minimal management constraints. It develops themes—which may involve an industry cluster—and presents these to relevant commercial interests, but cannot insist on uptake.
- Countries used to be segmented by Austrade according to geographic region (e.g. Northeast Asia, Southeast Asia)—but no longer. Within Asia, and globally, markets are grouped by type: (a) East Asia Growth Markets (high growth frontier markets); (b) Established Markets (transparent, primarily investor markets; in Asia only Japan qualifies for inclusion); (c) Growth & Emerging Markets (wholly about trade—in Asia, the Indian sub-continent).
- Austrade has identified so-called second tier cities as key sub-markets for stronger Austrade representation; in Asia, these tend to be clustered in China, India and Japan. The rationale: these are opaque 'frontier' markets, meaning they will require a higher level of agency support for commercial success. They may also exhibit a strong latent demand for internationalization. Lacking the resources for a tier 2/3 city market segmentation, the Australian States tend to focus on either gateways cities (typically major commercial centres) or Sister State relationships (SSRs).

Strategic Framework for Identifying Priorities

A strategic framework defines the structure, the aspirations and the limits within which more detailed work on planning, design and delivery can take place. It is a structure which emphasizes the overarching landscape, themes and principles. In Australia, as elsewhere, the political cycle is short while the trade and investment cycle is long. Nonetheless, Australia adheres to a number of principles that underpin its priorities.

Key principles

① An open economy is desirable

Australian benefits from the wealth created by an open economy and the engagement of individual Australian businesses in international trade and investment. Trade and foreign investment deliver jobs, benefits consumers, enhances business performance, and lowers costs for business.

② Business internationalization is essential

Australian businesses are moving beyond traditional models of exporting to engage in global supply chains, joint ventures, outwards investment, licensing and franchising, as part of their approach to internationalization.

③ Australian businesses face serious impediments (including in Asia)

- barriers at the border (tariffs and quotas)
- barriers behind-the-border (standards, regulations relating to protection of IP, foreign investment and establishing joint ventures)
- firm-level impediments (e.g. access to working capital, difficulties accessing long-term sources of funding, insufficient market information, lack of overseas contacts, unfamiliar foreign business practices and high set-up costs for international markets); and
- domestic impediments such as labour shortages, a strong A\$ and capacity constraints.

④ Australia is a mid-sized economic power

As such, neither Australia nor its states/territories have significant economic buying or selling power.

⑤ Australia’s economic fortunes are increasingly aligned with Asia

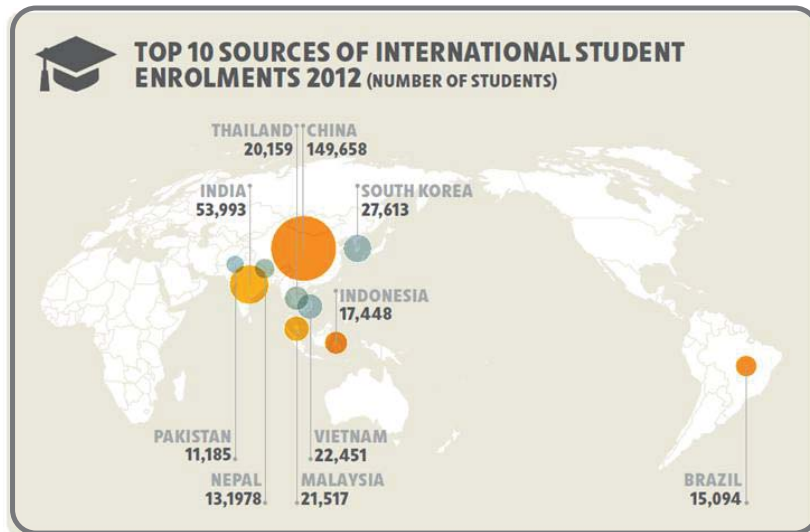
In accordance with the previous government’s *Australia in the Asian Century* White Paper, Austrade has sharpened its focus on Asia.

▶ Asia already dominates Australia’s exports of Goods & Services



Source: Austrade, Annual Report 2012-13

▶ International education is heavily reliant on Asian source markets

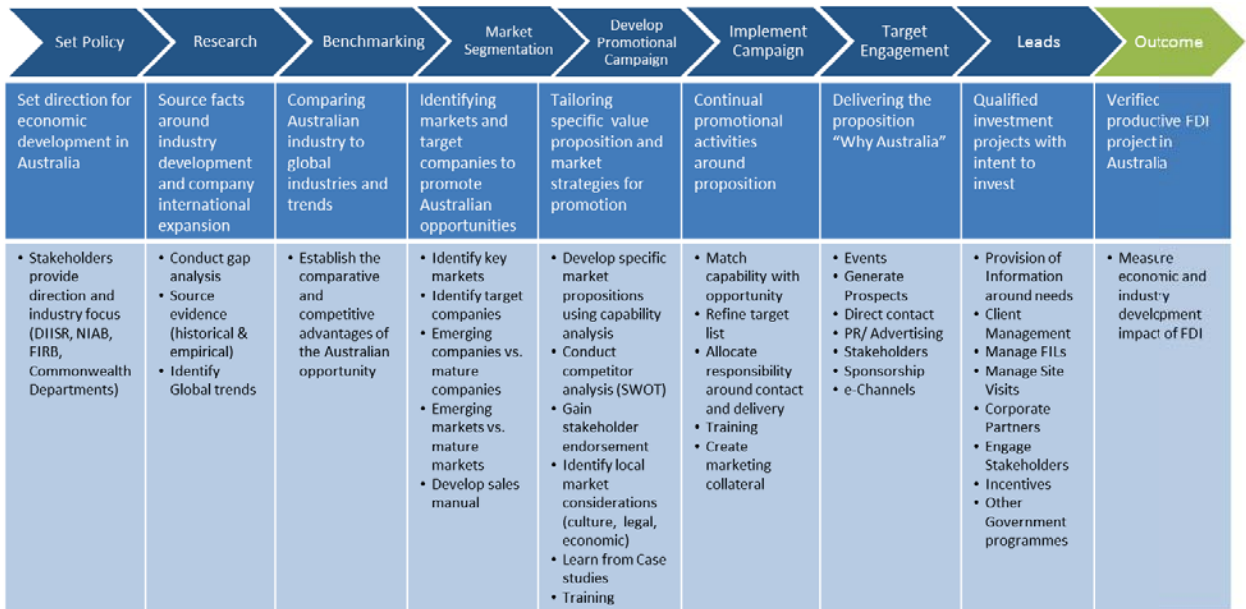


Source: Austrade, Annual Report 2012-13

Investment promotion process

Austrade’s investment promotion process, from policy formulation to outcome, follows the progression depicted in the figure below.

Government departments, notably DFAT, set economic direction in relation to investment goals. To understand the potential for inward FDI investment in priority sectors, Austrade will undertake detailed research to assess source markets, identifying trends in the domestic (source) market to exploit, highlighting company internationalization.



Source: Unpublished Austrade report, Dec 2010

Prioritization Criteria – Federal

Austrade prioritizes investment activities that:

- (a) achieve economic benefits for Australia, including the introduction of new skills or technologies;
- (b) increases competition;
- (c) address gaps in global supply chains in high value-added activities; and
- (d) support desired economic restructuring.

While these benefits are important, the alignment of investment with government (political) priorities is a primary driver for Austrade’s (and State) proactive investment promotion and attraction work.

Since the implementation of the findings of the most recent Austrade Review (2010), the core rationale for Austrade’s role is now based on where the agency can add the greatest value. Consequently, Austrade’s trade promotion priorities have been redirected towards more difficult and less accessible markets. Inward investment promotion accents sources of investible funds. Overarching concerns are alignments with Australia’s capabilities and a need for focus given limited resources.

Australia prioritizes markets, sectors, and investment opportunities based on the following precepts:

❶ The level of market impediments

- Markets in which government plays a significant role in the economy—on the assumption that market failure will be strongest in these locations
- Markets in which—in a commercial sense—there is a lack of access to relevant information which may impede Australian businesses from identifying commercial opportunities and entering those markets
- Markets where language and business culture present a significant barrier
- Markets characterized by less openness of regulatory frameworks
- Markets where there are difficulties accessing distribution channels and commercial connections
- Markets in which “the value of the ‘badge of government’ is highest”

❷ Sources of investible funds (inward investment)

While Asian investment is growing, established markets remain the largest sources of foreign investment for Australia. In these markets, Austrade’s resources are focused predominantly on the promotion and attraction of FDI and international education services. The established investment markets include the US, UK and Japan:

The US is the largest investor in Australia. Patterns in US FDI generally reflect fundamental changes occurring in the US domestic economy. US FDI abroad is focused less on extractive, processing and basic manufacturing in developing countries and more on high technology, finance and services industries located in more developed countries with advanced infrastructure and communications systems. These drivers for investment are aligned with several of Austrade’s investment priorities. Resurgence in economic growth in the US will create domestic competition for investment in Australia’s major infrastructure and tourism infrastructure and the resources sector supply chain.

UK investment in major infrastructure and tourism infrastructure reflects London’s role as a world financial hub and source of infrastructure financing, as well as the presence of major infrastructure constructors and project managers in London and the UK more broadly.

Japan is the third-largest source of FDI in Australia, particularly for clean energy, innovation, major infrastructure, agribusiness and the digital economy. Key drivers of Japanese outward investment are: food and energy security, market expansion, technology innovation and the development of global human capital, which are areas of competitive advantage for Australia.

❸ The need to focus resources

Although Austrade can likely add value in all significant markets and in all of the activities it currently undertakes—there is a need to focus on where it can add the greatest value. Relevant criteria in this regard:

- Commercial potential for opportunities that align with Australia’s capabilities
- A clear role for government assistance

Sector priorities

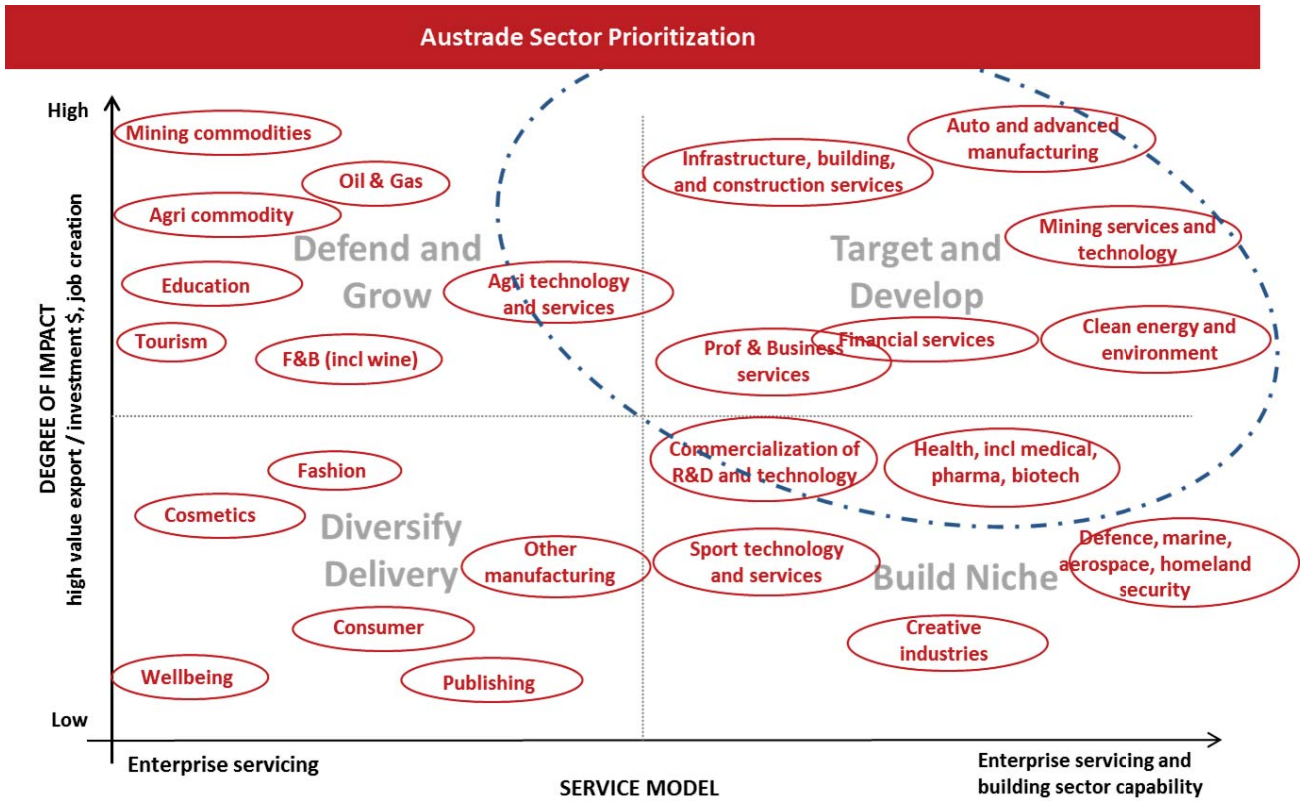
The selection of Australia's priority industry sectors is based on an assessment of their economic impact in relation to their ability to generate: (a) high-value exports, (b) investment dollars, and (c) job creation. This assessment, together with an appraisal of industry requirements for servicing and capacity building, is depicted in the following matrix and reveals, in broad terms, the most appropriate industry promotion strategy in terms of the following options: (1) "target and develop"; (2) "defend and grow"; (3) "build niche"; and (4) "diversify delivery". This matrix is conceptual only, and not intended for publication. Austrade does not want to appear to be picking winners, when it comes to sector priorities, at least publicly.

'Skunkworks'

Austrade is prepared to break new ground in relation to dynamic market opportunities using skunkworks teams, i.e., small groups of people who collaborate on a project in an unconventional way with minimal management constraints. It develops themes—which may involve an industry cluster—and presents these to relevant commercial interests.

However, for these opportunities to be embraced, the target companies must be prepared to build the necessary capabilities and capacity. Austrade will try and engage the local industry, but if after six months or so no one is interested we move on—no matter how highly we rated the opportunity. The best we can do at that point is to inform the Department of Industry, which runs capability programs, to alert them to the burgeoning opportunity.²

² David Landers, GM International Operations, February 2014



Note: refers to inward investment and trade potential.
Source: unpublished Austrade report.

Prioritization Criteria – State

NSW Trade & Investment

NSW conducted a major review of its international engagement strategy in April 2013. The following criteria were used to prioritize markets and industry sectors.

(a) Priority international markets

The identification of priority international markets for NSW is based on three criteria:

- current largest source of productive international investment
- current significant markets for export of NSW goods and services, and
- international markets exhibiting strong economic growth.

Following these criteria, the 10 most important and strongest international trade and investment partners for NSW worldwide were assessed to be:

- (1) Japan
- (2) USA
- (3) China
- (4) UK
- (5) India
- (6) Malaysia
- (7) UAE
- (8) South Korea
- (9) Singapore
- (10) Indonesia

Currently, among these Asian market priorities, NSW only has overseas offices in China, Mumbai and Tokyo. As a result of this assessment new offices are to be opened in Malaysia, Singapore, Indonesia and South Korea.

(b) Priority industry sectors

The identification of priority international industry sectors for NSW is based on:

- Demands and needs of the priority markets
- Sector strength in terms of existing exports and foreign direct investment
- Potential for growth based on market opportunities, and
- NSW competitive advantage.

The most important sectors for international trade and investment for NSW were assessed as:

- (1) Professional Services
- (2) Construction/Infrastructure
- (3) Advanced Manufacturing
- (4) Education and Research
- (5) Information & Communication Technology (ICT)
- (6) Clean Technology
- (7) Mining
- (8) Agribusiness
- (9) Tourism

NSW Asia Market Priorities – by Country and Sector

PRIORITY MARKET	FOREIGN DIRECT INVESTMENT	EXPORT OF SERVICES	EXPORT OF MERCHANDISE
Japan	<ul style="list-style-type: none"> • Infrastructure • Professional Services • Clean Technology • Mining 	<ul style="list-style-type: none"> • Research • Professional Services • Tourism 	<ul style="list-style-type: none"> • Advanced Manufacturing • Clean Technologies • Agribusiness • Mining
China	<ul style="list-style-type: none"> • Advanced manufacturing • Infrastructure • Professional Services • ICT • Mining 	<ul style="list-style-type: none"> • Professional Services • Education & Research • Creative Industries 	<ul style="list-style-type: none"> • Advanced Manufacturing • Clean Technologies • Agribusiness • Mining
India	<ul style="list-style-type: none"> • Infrastructure • Professional Services • ICT • Mining 	<ul style="list-style-type: none"> • Professional Services • Creative Industries (Film) 	<ul style="list-style-type: none"> • Infrastructure • Clean Technology • ICT • Mining
Malaysia	<ul style="list-style-type: none"> • Professional Services • ICT 	<ul style="list-style-type: none"> • Professional Services • Creative Industries (Film) 	<ul style="list-style-type: none"> • Advanced Manufacturing • ICT • Agribusiness
South Korea	<ul style="list-style-type: none"> • Advanced Manufacturing • Infrastructure • Professional Services • Mining 	<ul style="list-style-type: none"> • Professional Services • Education 	<ul style="list-style-type: none"> • Advanced Manufacturing • ICT • Mining • Agribusiness
Singapore	<ul style="list-style-type: none"> • Professional Services • Clean Technology • Infrastructure • ICT 	<ul style="list-style-type: none"> • Professional Services • Creative Industries (Film) • Research 	<ul style="list-style-type: none"> • Advanced Manufacturing • Professional Services • ICT • Agribusiness
Indonesia		<ul style="list-style-type: none"> • Professional Services • Education & Research 	<ul style="list-style-type: none"> • Mining • Agribusiness • Clean Technology • ICT (related to mining and agriculture sectors)

Source: NSW International Engagement Strategy, April 2013

The State Government of Victoria

Victoria reportedly does not use a sophisticated model for deciding which markets to prioritize. Instead it relies on its own market intelligence combined

with more objective investment data, from sources such as UNCTAD and fDi Intelligence (a division of The FT). Inward investment potential is weighted most heavily (versus trade or education).

Market Segmentation

Australia segments its markets according to two main types, both globally and within Asia: (1) Established Markets; (2) Growth Markets, including “East Asian Growth Markets” and “Growth and Emerging Markets”. In Asia, the latter comprises Bangladesh, India, Pakistan and Sri Lanka, literally those countries not located in the eastern part of the Asian region.

In broad terms, Austrade has differing interests and approaches to these two type of markets.

Established markets

Focus: Inward investment

Tactics: Greater use of partners, referrals and online information and services

Austrade’s focus for the designated Established Markets, comprised of North America, Europe, and in Asia, Japan, is on inward investment and education services, making greater use of partners, referrals and online information and services. Hence, Austrade only has five main posts in Europe, versus eight in ASEAN.

East Asian Growth Markets / Growth and Emerging Markets

Focus: Trade development and education services*

Tactics: Closer client enterprise servicing and support

* While education is not included in the scope of this report, it is worth observing that Asian demand for Australian education and training is a priority.

Australia’s Support for Educational Institutions

Austrade’s marketing and promotion for international education aims to increase demand for Australia’s education and training sector and helps to position the sector as world-class and globally connected. Through its international network, Austrade identifies opportunities and provides market intelligence. Information gathered in-market is disseminated to the Australian education sector to assist providers to make informed decisions and develop strategies to promote international relationships and business. Austrade has also developed a new “*Study in Australia*” website, www.studyinaustralia.gov.au, which acts as a gateway for international students.³

Austrade’s network of offices is weighted towards Asian growth and emerging markets that are perceived to have high potential (see table below and Chapter 4). Most recently a new post was established in Myanmar—a very small economy, but with high growth potential. Austrade’s activities in these markets will continue to have a strong focus on trade development, marketing of education services and, in selected markets, international investment attraction.

³ Austrade Corporate Plan 2013-14, p14

Market sub-segments

Austrade is known to have adopted a new emphasis on so-called tier two cities in China and India, where these might provide stronger growth opportunities and present more difficult markets for Australian companies to penetrate. Austrade has also been tapping into second and third tiers of large Japanese companies based in regional areas where there is strong impetus for investors to seek international opportunities. Using city-level indicators, such as import growth, gross municipal product, investment flows, education market, etc. it is possible to rate and rank city level opportunities. The tier 2/3 cities may be over weighted in terms of resource allocation based on: (1) the size of the catchment area (territory covered); and (2) ranking as ‘frontier’ markets, meaning more opaque markets, which would likely require a higher level of agency support for commercial success. They may also exhibit a strong latent demand for internationalization and foreign partners.

Lacking the resources for a tier 2/3 city market segmentation, the Australian States tend to focus on either gateway cities (typically major commercial centres) or Sister State relationships (SSRs).

Asian Markets Classified by Austrade’s Segmentation

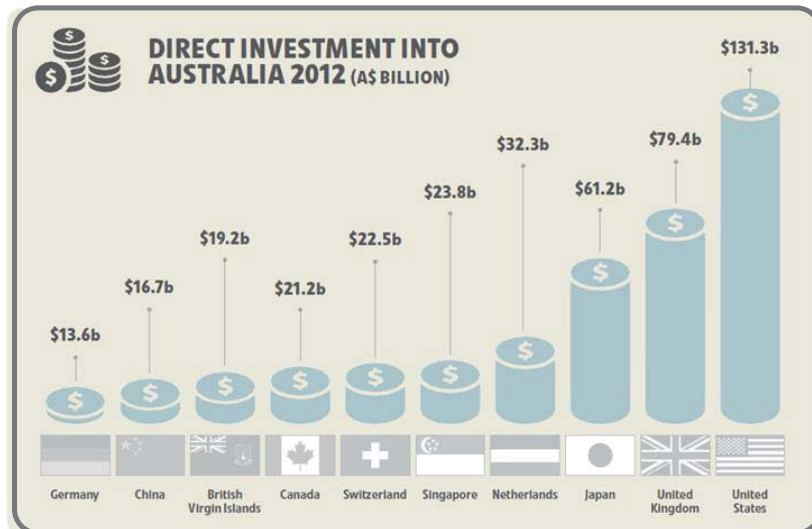
East Asia Growth Markets	Established Markets	Growth & Emerging Markets
BRUNEI	JAPAN	BANGLADESH
CHINA	Fukuoka	Dhaka
Beijing	Osaka	INDIA
Chengdu	Sapporo	Ahmedabad
Guangzhou	Tokyo	Bangalore
Hangzhou		Chandigarh
Kunming		Chennai
Nanjing		Hyderabad
Qingdao		Jaipur
Shanghai		Kolkata
Shenyang		Kochi
Shenzhen		Mumbai
Wuhan		New Delhi
HONG KONG		Pune
INDONESIA		MONGOLIA
Jakarta		Ulaanbaatar
MALAYSIA		PAKISTAN
Kuala Lumpur		Islamabad
MYANMAR		Karachi
Yangon		Lahore
SOUTH KOREA		SRI LANKA
Seoul		Colombo
TAIWAN		
Kaohsiung		
Taipei		
THAILAND		
Bangkok		
VIETNAM		
Hanoi		
Ho Chi Minh City		

Source: Austrade

Investment Attraction Priorities

Priority markets for inward FDI

Currently, and for the foreseeable future, the majority of Australia's inward direct foreign investment will be from other OECD countries, notably the US, the UK, Japan and the Netherlands (see figure below). For these 'established' markets, investment attraction is the priority and Austrade maintains in-market investment specialists in Western Europe and North America, as well as in select Asian markets and the Middle East.



Source: Austrade, Annual Report 2012-13

The so called 'East Asian Growth Markets', including countries such as Singapore and China, are emerging as important sources of inward FDI. For these markets, Austrade plans to target potential investors "in specific markets in line with the agreed Federal and State Governments priorities (see below), as well as other opportunities that can provide a benefit to Australia"⁴. Emerging markets such as China and India may not look to Australia for cost advantage—"but will be more interested in unique capabilities and security of supply and tenure" (ex-Regional Director, Austrade).

7 priority sectors for inward FDI

Austrade seeks to attract FDI that: (a) is of strategic importance; (b) builds Australian capabilities; and (c) enhances productivity. A capability assessment by the Federal and State Governments confirmed four priority areas:

- (1) Major infrastructure
- (2) Tourism infrastructure
- (3) Innovation
- (4) Clean energy

Additionally, State and Territory governments earmarked three multi-state industry priorities (multiple states/territories stipulated these sectors as priorities):

- (1) Agribusiness, and food technology and services

⁴ Austrade Corporate Plan 2013-14, p.11

- (2) Digital economy
- (3) Resources technology and services

Austrade notes that its teams maintain active relationships with current or prospective investors in other sectors also, providing advice and referrals to deal with any issues of concern or interest to them.

Austrade: Key 2013-14 Strategic Priorities

▶ Asia

The *Australia in the Asian Century* White Paper highlighted the significance and potential size of opportunities that the Asian region presents for Australia in the near future. While there are some common themes throughout Asian markets it is important to recognise that Asia represents a collection of nations at various stages of development, with distinct characteristics and needs. In line with this, Austrade has identified a number of initiatives, including international education and skills training; agribusiness and food technology services; resources technology and services; the premium food and consumer sector; automotive supply chain access; infrastructure; professional services; creative services; and health and aged care.

▶ Food & Agribusiness

Austrade will work with international customers to identify their needs; identify specific opportunities for Australian food and agribusiness exporters; and then, working with Australian suppliers, help them win business in these markets through direct sales, joint ventures, research collaborations or entry into major supply chains - such as online, retail, hotels and food services. Austrade will also undertake a series of targeted initiatives in consultation and collaboration with key industry bodies and government allies to promote Australia's premium food credentials and capabilities. This will include focusing on building the brand and reputation of Australia's food sector. Austrade will also identify opportunities for potential investment into Australia from foreign investors within these sectors primarily covering technology and services.

▶ Mining Equipment, Technology and Services

The international opportunity for Australia's mining equipment, technology and services capability (including gas) is widely acknowledged. Australian businesses already have a growing pan-Asian presence (including ASEAN, China, Mongolia, Central and South Asia). Austrade's focus is to work with strategic partners to gain increased input from Australian industry to major international mining projects, assist with outward Australian investment, and continue to explore opportunities in related vocational education and training.

▶ Infrastructure

Austrade works with other agencies to promote foreign investment into Australian infrastructure projects, specifically major economic infrastructure, social infrastructure and tourism infrastructure. Austrade also works with Australian and foreign partners to secure participation in major overseas infrastructure projects. An important opportunity in this regard is to work with the Japanese Government and business to promote infrastructure projects in Indonesia and India using Australian know-how.

Extracted from Austrade Corporate Plan 2013-14

Chapter 4

Strategic Alignment

In this chapter, the following strategic planning related issues will be considered:

- What is the structure of Australia's international in-market trade and investment representation, and how is staff in Australia organized (i.e. according to market, sector, program, etc.)?
- How is the relationship between in-market and domestic staff governed?
- What are the resource levels assigned to deliver on trade and investment objectives (per capita spending and staff to funding ratio)?

Strategic Alignment - Best Practices

- Austrade has moved away from a 'push model' to one which is 'demand driven'. It is the role of its overseas posts to scour Asian and other markets for opportunities aligned with Australia's capabilities. The mission of trade and investment commissioners is the discovery of 'contestable' and 'actionable' opportunities. Contestable opportunities are ones which Australian companies have the capability, capacity and interest to pursue.
- Staff in Austrade is organised by industry sector(s), and is pushed to develop initiatives in teams, ones that cross sector boundaries and reflect the fullness of demand, rather than narrowly defined sector definitions.
- Responsibility for investment, education and tourism promotion is centralised with Austrade's trade function. This reduces duplication and maximises the efficient use of the resources invested in Austrade's international network. Austrade reports synergies between these functions, which enables it to identify and present much broader opportunities and outcomes than would otherwise have been possible.
- All corporate functions, including marketing, are wholly managed out of Austrade HQ in Sydney in order to facilitate a more coordinated approach within Austrade. This also facilitates a better aligned whole-of-government and Brand Australia logic.
- The model of having regional management offices and Regional Director positions (e.g. for North East Asia) has been discarded with senior management all based in Australia. The former organisational structure was considered to be needlessly expensive and to have caused "unhealthy behaviour" (competing fiefdoms within Austrade).

Strategic Alignment - Best Practices

- The emphasis is on client-focused operational personnel: Austrade employs around 1,000 staff, of which approximately 60% are employed in overseas locations and another 15% in client-facing roles in Australia.
- In Austrade, more cost-effective, locally hired Business Development managers are retained as permanent staff; Trade Commissioners, typically Australian residents, number only 1-2 persons per post. Some of the state agencies (e.g. TIQ, NSW) also report a greater emphasis on using local staff on local packages, rather than Australian expatriate staff. The benefits: the right local staff is better at relationship management

Australia's strategic alignment is based upon three factors: (1) its prioritization of Asia's growth markets; (2) Australia's comparative advantages; and (3) a belief that the real value provided by trade and promotion organisations lies in their international networks.

Australia has a strong focus on the Asian region. Austrade alone has 28 offices in five key Asian markets alone—11 in China, 11 in India, one in Indonesia, four in Japan and one in South Korea. Around 60% of Austrade's 558 international staff positions are based in Asia. (See Chapter 2 for more information on the main Australian States' Asian networks.)

Organization

A focus on organisational synergies

Responsibility for investment and education promotion is centralised with Austrade's trade function. This consolidation of functions reduces duplication and maximises the efficient use of the resources invested in Austrade's international network. Austrade claims a "synergy dividend", enabling it to identify and present much broader opportunities and outcomes than would otherwise have been possible. For example, international customers seeking suppliers of goods and services will often have a complementary and parallel need for vocational training and may wish to attend relevant industry exhibitions as well. Being able to present a holistic solution to customers improves the business case for Australian suppliers⁵.

Tourism was recently added to the Austrade portfolio in a further effort to extract synergies from a broader portfolio. At the time of writing, the integration of tourism into Austrade's organisation had yet to be accomplished.

Less relevant to furthering the cause of synergism, Austrade also undertakes consular and passport services delivered in 16 locations worldwide, including the high volume passport post of Vancouver. The delivery of these services is a significant commitment of Austrade's resources, but is assessed separately in terms of resource allocation.

⁵ Austrade Corporate Plan, 2013-14.

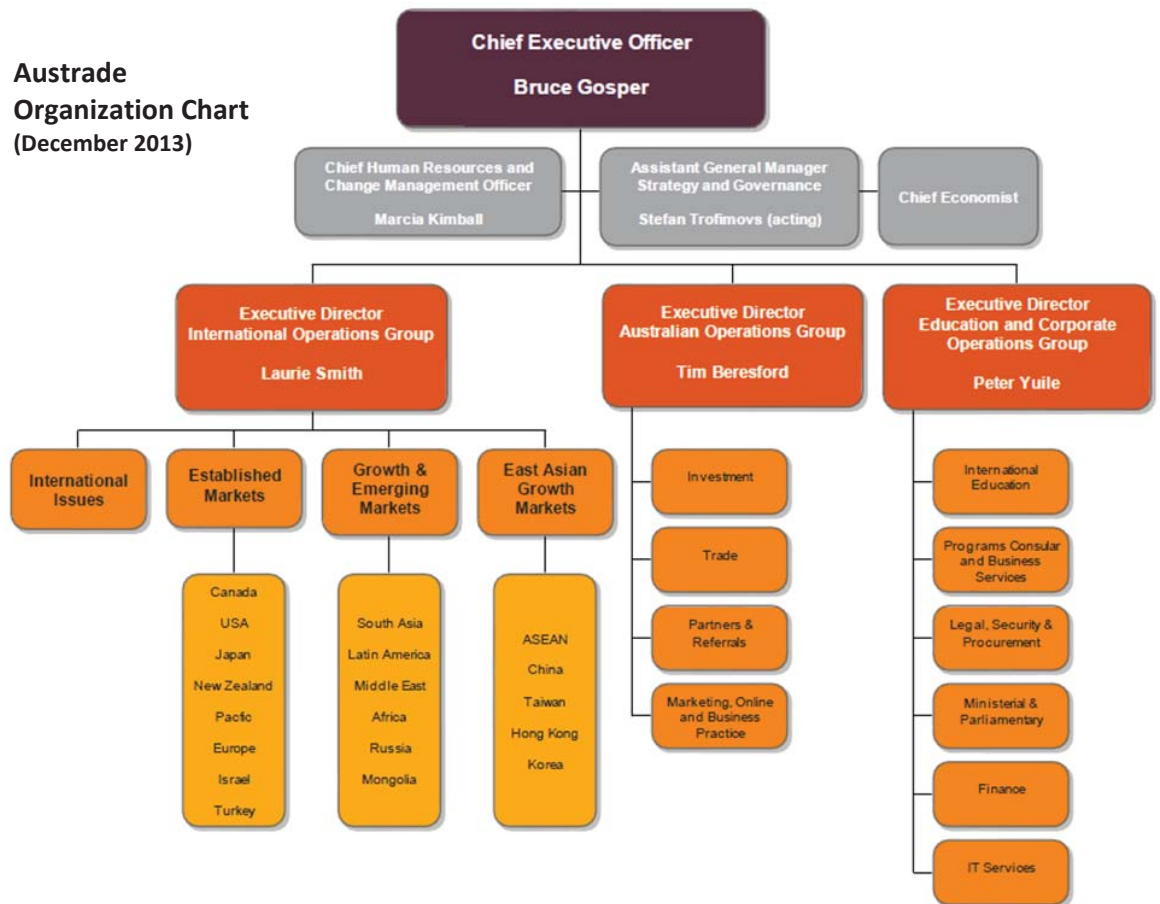
A streamlined organisational structure

Following the Austrade Review of 2011, major organisational changes were implemented with several laudable aims, including:

- reducing the fragmentation of functions
- consolidating areas of expertise
- providing clearer and improved lines of accountability

In effect, management control was pulled back to the headquarters in Sydney with clearer lines of responsibility for the core functions (trade, investment and education and the EMDG scheme) established.

**Austrade
Organization Chart
(December 2013)**



Source: Australian Trade Commission. Annual Report 2012-13

Key features of the new structure:

► Austrade shifted to a global, instead of a regional, management structure. Strategic management and oversight of the international network was, and remains, based in Austrade’s Sydney headquarters.

Benefits: A globally-integrated organisation without the sense of multiple independent Austrades. According to Austrade personnel, the regional management system created unhealthy ‘fiefdoms’ that competed more than

they cooperated and tended to develop initiatives out of step with corporate direction. The change stripped out a layer of management and also reduced T&E expenses.

▶ A smaller executive group (three rather than eight persons) reporting directly to the CEO.

Benefits: Improved corporate governance. (Austrade's officials in Asia had been caught up in media allegations of wrongdoing in 2007.) Allows for more focus, effort and resources offshore, recognising that is where Austrade's real value lies.

▶ Support functions (corporate services, promotions and communications and online information and service delivery) were consolidated with clear lines of responsibility.

Benefits: All marketing activity is now handled out of Australia, allowing for a more uniform message. Centralised systems and codes of conduct can be more easily enforced.

Austrade staffing

In total, Austrade has around 1,000 employees. There is a distinction made between "Australian-based" (meaning Australian citizens) and foreign citizens engaged and stationed overseas, typically in the home country. The Australian staff is rotated every 2-4 years, whereas the overseas engaged staff are permanent local hires.

Most overseas postings have one Senior Trade Commissioner and One Trade Commissioner. Depending on the nature of the post, there will also be a variable number of Business Development Managers (BDMs) and an Investment Commissioner. For the large Asia locations, the staffing level ranges from 4-6 persons. Typically, BDMs are overseas engaged staff. As appropriate, there may be an Education Manager and an Investment Manager stationed at each post.

Austrade Staff by Group/Division (as at 30 June 2013)			
	Australians	Overseas-engaged	Total
Established Markets	22	133	155
East Asian Growth Markets	33	195	228
Growth and Emerging Markets	27	122	149
TOTAL OVERSEAS	82	450	532
Australian Operations	167	0	167
Education and Corporate Operations	188	19	207
International Operations Australia	13	0	13
Human Resources	33	7	40
Executive/CEO	12	0	12
TOTAL AUSTRALIA	413	26	439
AUSTRADE TOTAL*	527	476	1,003

* Note: Total includes inoperative. Excludes attached agency staff, trade consultants, contractors and TradeStart employees.

Source: Australian Trade Commission, Annual Report 2012-13

Focus

Austrade's previous strategy of delivering all services in all markets has been abandoned in favour of prioritising different activities for different markets. This is reflected in the global segmentation by type of market (i.e. Established markets, East Asia Growth Markets and Growth & Merging Markets). Austrade's trade service model is now more focused on internationally ready businesses. For companies that are not yet ready for export, Austrade will make referrals to alternative enterprise development programs (government or private sector):

"Austrade has moved away from new exporter development programs. Companies that are not ready to export can damage their organisations so we offload them to other agencies."⁶

Focus is also a driver in the decision to charge for some services (see Chapter 10).

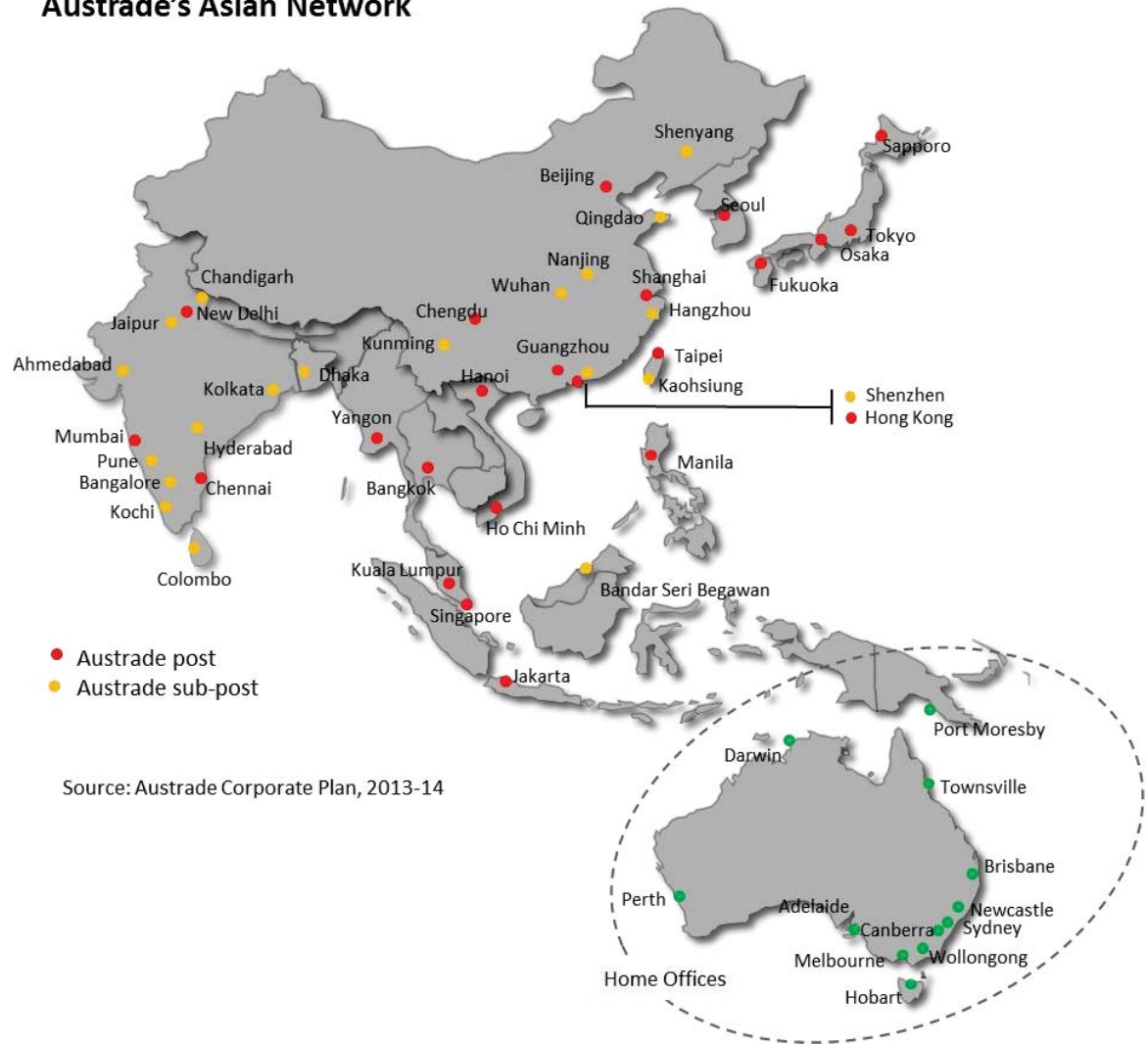
Firm-level assistance

A recognition that firm level assistance delivered in international markets is the main priority for trade and investment promotion provides a clear starting point for prioritising functions and activities in Australia. Domestically, many organisations across all levels of government and in the private sector play a role in broader business development activity. "The further away from the market that Austrade operates, the less unique is its role."⁷ Activities and services which support international-based activity are therefore given priority. It is appropriate also for Austrade to look for ways to better share its market insights and pass information on international commercial opportunities through to other domestically oriented organisations both in government or the private sector that can best help firms exploit those opportunities.

⁶ David Landers, GM International Operations, February 2014

⁷ Reform of the Australian Trade Commission - Maximising Our Value, May 2011, p4

Austrade's Asian Network



Management

Austrade has a clear perception of its innate value proposition:

"... Austrade's unique value stems from the combination of its knowledge of, and connections in, international markets and its status as a government organisation."⁸

Consequently, although Austrade centralises corporate functions within Australia, it maintains a high level of in-market expertise. Reductions in staff levels have meant that more industry portfolios are spread among a smaller number of Trade Commissioners/BDMs in each market. To partially compensate, teams from a variety of regional markets may come together to develop specific business themes, rather than narrowly defined sector definitions. The aim is to identify important trends, and understand the demand implications across different industry sectors and across different markets.

For Austrade, opportunities must be actionable—meaning well defined and specific. However, in today's world of instant information, if opportunities are

⁸ Reform of the Australian Trade Commission - Maximising Our Value, May 2011, p3

too eminently codifiable they are also likely to be obvious to the competition, meaning other trade and promotion agencies. The respective roles of in-market and domestic staff are then:

In-market staff: identify 'diamonds in the rough' using an iterative assessment of long-term opportunities.

Domestic staff: using additional industry expertise, qualify the opportunities and disseminate to local enterprises (trade opportunities) and overseas investors (overseas investment commissioners).

The emphasis is on long term (more than five years) opportunities and Austrade is moving away from short-term KPIs. One example of such an opportunity is the West Kowloon Cultural District, a project, which in Austrade's estimation, will deliver contestable and actionable opportunities for Australian service exports over numerous years.⁹

West Kowloon Cultural District

The West Kowloon Cultural District will be Hong Kong's largest arts and cultural project to date. It aims to be developed as an arts and cultural hub with world-class facilities. Taking up 40 hectares, the district will include 17 core arts and cultural venues as well as space for arts education. It features a world-class integrated low-density district comprising local and traditional as well as international and modern elements. The plan was submitted to the Town Planning Board in December 2011 and approved by the Chief Executive-in-Council in January 2013.

One important aspect of the relationship between in-market and domestic staff is their respective roles in qualifying the identified long-term strategic opportunities. Immediately following the major 2011 Austrade Review, the policy was to review opportunities in-market and in Australia. However, according to David Landers, GM – International Operations, this led to too much double handling of opportunity review and now the offshore teams are being required to do more qualification offshore.

Regional management

Prior to the 2010 Austrade Review, the world according to Austrade was organised quite differently, with Austrade's overseas operations structured around four main regions:

- The Americas
- Europe, Middle East and Africa (EMEA)
- North East Asia (NEA)
- South East Asia, South Asia and Pacific (SEASAP)

This structure placed senior management in the field, but inhibited collaboration across the regions and caused unhealthy competition between regions.

⁹ www.westkowloon.hk

Resources

Total net resourcing for Austrade in the year 2012-13 was A\$321.9m (including payments made/attributable to trade, investment and education promotion only). At 30 June 2013, Austrade employed 1,003 staff, 76% of whom were employed in overseas locations or client-focused operations in Australia.

Expenses relating specifically to “trade, education and investment promotion” in the financial year 2012-13 was A\$183.0m. This figure excludes the administered cost of the trade development scheme (Export Market Development Grants, EMDG) (A\$125.9m) and the cost of consular services provided by Austrade in some of its postings.

Caution should be used in interpreting and comparing these financial data, given the differences in accounting norms and organisational structure between jurisdictions and associated data comparability issues. For more detailed analysis refer to Australian Trade Commission Annual Report 2012-13, Appendix E: Financial and Staffing Resources.

Based on this reckoning of resources:

Total population of Australia: 23.1m (as at end June 2013)
Spending to deliver on trade and investment objectives: A\$183 million (2012-13)
Per capita spending: A\$7.90 per head

Staff employed: 923 (excludes consular staff)
Staff to funding ratio: A\$250,027

Austrade’s annual report reveals declining revenue from two sources: (1) direct from government; (2) ‘other sources’ – which mainly comprises fees derived from Business Consultancy Services (see Chapter 10: Service Delivery). The lower revenue from the provision of expert advice and assistance to exporters was in line with Austrade reforms.

Chapter 5

Government-to-Government Engagement

In this chapter, the following Government-to-Government Engagement issues will be considered:

- For markets that have been identified as priorities, what is Australia's approach to bilateral and multilateral government-to-government engagement in order to open up these markets to Australian trade (e.g. ASEAN countries), and what specific tactics are used (including e.g. building capacity of government officials to engage with Asian governments)?
- Are any 'soft' diplomacy tactics used (knowledge transfer, disaster relief and reconstruction, etc.)?
- What levels of government are engaged?

Best Practices – Government-to-Government Engagement

- For trade advocacy, Australia sees no inherent conflict in the concurrent pursuit of multilateral and bilateral approaches to market opening in Asia. Sectorial and issue-specific market access lobbying also has its place in Australian diplomacy.
- Both medium-term (free trade agreements) and longer-term trade negotiations are pursued in parallel. Australia has negotiated multiple FTAs, including with: (a) Singapore (SAFTA); (b) Thailand (TAFTA); and (c) the US (AUSFTA).
- Australia is also heavily invested in Asia forums such as The East Asia Summit (EAS, a regional leaders' forum for strategic dialogue and cooperation on key challenges facing the East Asian region) and The Asia-Pacific Economic Cooperation (APEC).
- Australia recognizes that it is a mid-sized economy (like Canada/BC). It lacks significant international market power and so relies more heavily on soft power.
- International education provides Australia with an opportunity to build relationships and leverage networks with alumni for positive medium and longer-term regional outcomes.

Best Practices – Government-to-Government Engagement

- Australia’s aid program is centred on the region, even as former Asian recipient countries such as China and India become major donors. In 2010, 58% of the aid budget was expended in Asia, the second-highest proportion among all OECD Development Assistance Committee donors, after South Korea.
- The new Australian government is moving to link aid with trade and other economic interests.
- Australia is heavily invested in Asia forums such as The East Asia Summit (EAS, a regional leaders’ forum for strategic dialogue and cooperation on key challenges facing the East Asian region) and The Asia-Pacific Economic Cooperation (APEC).
- Chinese students and researchers usually seek residency after completing their studies or academic tenure—Australia is strengthening the resulting knowledge networks and collaboration with global research, technology and innovation centres, growing academic linkages.
- Australia’s states and cities have developed strategic engagement plans for key Asian markets and/or sub-regions.
- Sister cities relationships are extensive and are leveraged assiduously; some Australian cities have multiple sister cities in single Asian markets (China and India it seems have no shortage of city candidates).

Government-to-Government Engagement is primarily the responsibility of DFAT. In general, Australia works to make the region more open and integrated, encouraging trade, investment and partnerships. The current state of Australian engagement with Asia is detailed in *Australia in the Asian Century*, a White Paper commissioned by the then prime minister Julia Gillard and released in July 2012. This document has been ‘archived’ by the incoming government of Tony Abbott, reflecting the fact that government-to-government relations is a long game, the same being true of trade and investment promotion, while politics has a much shorter cycle.

Australia is surveying its civil servants and developing a strategy for raising Asian capabilities within government. As domestic and international issues become increasingly connected, more Australian Public Service (APS) employees, including those working in domestically-orientated agencies, may be required to work more closely with counterparts in Asia and, consequently, will need to develop a more sophisticated understanding of Asia and Asian cultures.¹⁰

Bilateral/Multilateral Engagement

Australia, like British Columbia, is a major exporter and official policy is to reduce or eliminate trade barriers of direct concern to Australian business. To this end, “it is necessary to have a comprehensive and integrated market access strategy that allocates resources to areas of high priority”¹¹. For Australia, Asia is the highest trade priority: in 2012, East Asia (excluding the Indian-subcontinent and Pacific) accounted for 55.2% of Australia exports of goods and services.¹² Primary

¹⁰ State of the Service Report 2012-13.

¹¹ Winning in World Markets 2008, Commonwealth of Australia.

¹² Australia’s Trade with East Asia 2012, DFAT.

exports, notably resources, are important to the Australian economy. Trade barriers in Asia remain relatively high in some areas of mutual interest to Australia and BC, for example, in agriculture and in trade in services. As average tariffs have fallen across the Asia region, non-tariff barriers (NTBs) have attracted more attention and in some instance risen to compensate for loss of tariff protection.

Main tenets of Australia's approach to trade opening:

- (1) There is no inherent conflict in the pursuit of multilateral and bilateral approaches to gaining better market access in Asia.
- (2) Australia, like Canada/BC, is mid-sized economy, one which lacks significant international market power.
- (3) Both medium-term (free trade agreements) and longer-term trade negotiations should be pursued in parallel.
- (4) Sectorial and issue-specific market access lobbying also has its place.

In response, Australia adopts the following strategies.

▶ For tariff barriers:

Multilateral negotiations and dispute settlement

Bilateral free trade agreement negotiations

▶ For non-tariff barriers:

Multilateral negotiations on subsidies and other trade-distorting policies

Bilateral dialogues, including on sector-specific issues, e.g. aviation

Bilateral negotiations on investment and taxation

Multilateral and bilateral discussions on trade facilitation and related measures such as mutual recognition and standards

The desired outcomes are clear: at the multilateral level, eliminate barriers to agricultural trade, reduce tariffs on manufactures in key markets, and prevent discrimination in trade in services; at the bilateral level, the aim is to curb technical barriers (e.g. phyto-sanitary), align standards and address specific sectorial impediments. These market access priorities should be clearly articulated and presented to stakeholders and the public.¹³

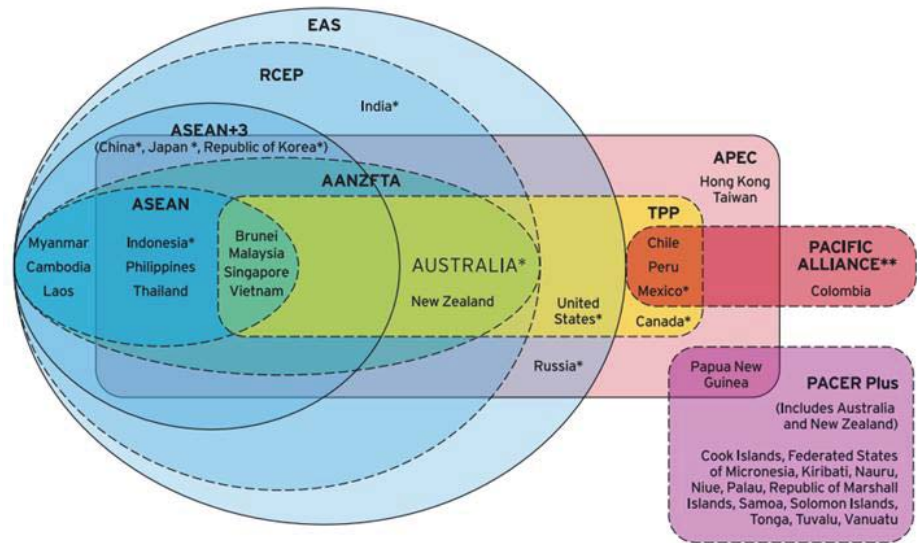
While Australia believes that it is best served by a strengthened multilateral WTO-led system of global trade liberalisation, it has also been an active participant in the regional proliferation of regional bilateral and plurilateral free trade agreements (FTAs). Prime Minister Abbott, in office since September 2013, has pledged to establish three new FTAs within a year of his election, and has so far delivered one, concluded in early September, with South Korea.¹⁴

DFAT works to promoting deeper region-wide economic integration through the Trans-Pacific Partnership (TPP) and the Regional Comprehensive Economic Partnership (RCEP). Both policy objectives have the potential to build inclusive, outward-looking regional economic architecture and facilitate the realisation of APEC's long-term goal of a free trade area of the Asia-Pacific.

¹³ Winning in World Markets 2008, Commonwealth of Australia.

¹⁴ Asia Times, December 15 2013.

Australia's Participation in Regional Economic Architecture (as of end June 2013)



* Denotes G20 membership
 ** Australia was granted observer status in November 2012
 --- Denotes trade agreement/negotiation — Denotes regional grouping

Source: DFAT Annual Report, 2012-13

Assessing the benefits of Australia's FTAs

In 2008, a government report entitled, *Winning in World Markets - Meeting the competitive challenge of the new global economy* (Commonwealth of Australia) analysed the success of several of Australia's FTAs: (a) Singapore (SAFTA); (b) Thailand (TAFTA); and (c) the US (AUSFTA). The analysis conducted at that time was inconclusive. While trade flows had expanded strongly, Australia's balance of trade with all three trade partners deteriorated and trade intensity (the proportion of bilateral trade in total trade) had not improved greatly. On the other hand, it was concluded that important gains in investment and services opening were achieved.

Soft Diplomacy

Soft power has been characterised as the influence and attractiveness a nation (or province) acquires when others are drawn to its culture, ethos and ideas. DFAT is the key government agency with a mandate to promote and protect Australia's international reputation, presence and future position. The public diplomacy unit within DFAT—while poorly funded¹⁵—currently undertakes a coordination role on public diplomacy.

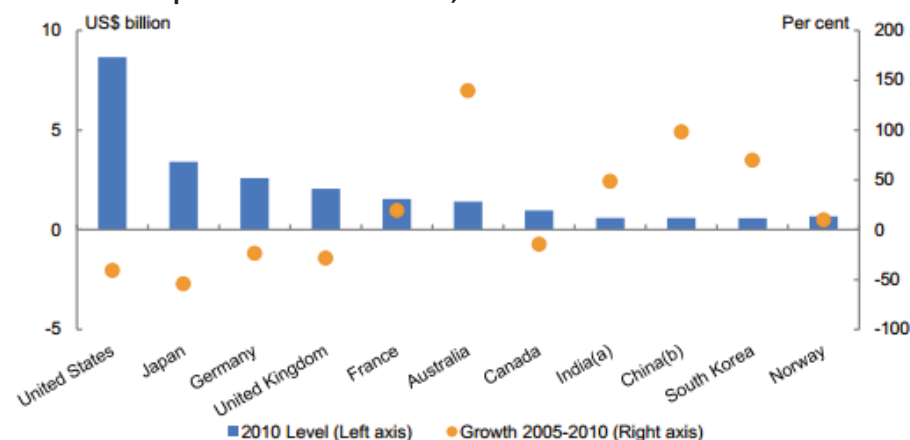
Aid programs

Australia's aid program has continued to centre on the Asian region, even as former recipient countries such as China and India become major donors themselves. In 2010, 58% of the aid budget was expended in Asia, the second-highest proportion among all OECD Development Assistance Committee donors, after South Korea. Australia is the sixth-largest international donor to the region. The focus is on

¹⁵ Caitlin Byrne and Rebecca Hall, *Australia's International Education as Public Diplomacy*, Netherlands Institute of International Relations, 2011

poverty alleviation and assisting the most vulnerable, with the rationale that helping to build skills and strengthen institutions contributes to Asia's economic development and security. The Australian Government's annual aid budget for 2013/14 was trimmed to A\$5bn, and refocused on reducing poverty in the Indo-Pacific region and tied to rigorous benchmarks.¹⁶

Official Development Assistance to Asia, 2010



Note: (a) India's measured assistance is from 2005–06 to 2008–09, and is not strictly comparable with other nations as it differs from the OECD Development Assistance Committee's criteria; it excludes lines of credit. (b) China's measured assistance is for 2005–2008 and is not strictly comparable with other nations as it differs from the OECD Development Assistance Committee's criteria; it includes grants, interest-free loans and subsidies for concessional loans. Estimates of assistance that include concessional loans and debt relief are one-and-a-half to three times higher. Sources: OECD (2007a and 2012a), Smith, Fordelone & Zimmermann (2010) and Information Office of the State Council (2011).

Besides the reduction in the aid budget, the administration of Australia's aid has also been overhauled. AusAID (the Australian Agency for International Development) was, until October 2013, the Australian Government agency responsible for managing Australia's overseas aid program, when it ceased to be an executive agency and was integrated into the DFAT as part of sweeping changes to the public service announced by the incoming prime minister, Tony Abbott. Some argue that such arrangements will promote 'policy coherence'. Others counter that the coherence is one-way: aid will end up serving diplomatic and possibly trade ends, a model followed by major donor nations such as China and South Korea, among others.

Some economists have suggested that untied aid yields a positive gain in donor country exports.¹⁷ However, the new Australian government's apparent interest in aligning aid with trade and other economic interests suggests that it either does not support this thesis, or believes that tied aid will yield more benefits for Australia.

Disaster relief

Not surprisingly, there is no acknowledged linkage between disaster relief and soft diplomacy aims. Australia prides itself on the altruistic delivery of emergency assistance in response to humanitarian disasters. Upon receiving a

¹⁶ Official Media release, 18 January 2014 by Julie Bishop, Minister for Foreign Affairs and Trade

¹⁷ Martínez-Zarzoso, Inmaculada; Nowak-Lehmann D., Felicitas; Klasen, Stephan (2010): The Economic Benefits of giving Aid in terms of Donors Exports

request for help, AusAID consults with a range of stakeholders including the Australian High Commission or Embassy in the affected country, the UN and Emergency Management Australia (a federal agency tasked with coordinating emergency, under the Federal Attorney General's Department). AusAID may also consult with representatives from France and New Zealand, with whom it jointly responds to many of the disasters that occur in the Pacific region. AusAID would seek the approval of the Australian Minister for Foreign Affairs for funds if the situation warrants help from other government departments such as the Australian Defence Force. AusAID may also ask for advice from non-government organisations (NGOs) on their ability to help and may activate its Periodic Funding Agreements for Disaster Risk Management. These agreements, with six non-government organisations, allow the government to respond through organisations with the capacity to provide effective disaster relief.

There is strong argument to be made that giving, especially in time of dire need, creates a bond between giver and recipient with an obligation to reciprocate on part of the recipient. Queensland's Tokyo-based trade commissioner, Tak Adachi, implicitly acknowledged this tenet when describing the overwhelmingly response of Japanese corporations and sister cities to the devastating floods in Queensland in 2011. Mitsubishi Corp. alone donated US\$5m, at the time expressing no interest in any associated publicity. The decision was taken to ignore this request. Mitsubishi was publicly thanked for their generosity, for which they were privately very grateful.

International Education

Over and above the commercial value of international education, which is substantial, Australia uses the soft power value of international education as an instrument of public diplomacy. Australian international education attracts large numbers of students from strategic Asian partners, including China, India, Malaysia, Singapore and Indonesia. Soft power relationships will continue to build on the substantial people-to-people links that exist due to Australia's strong position in international education. The nature of these alumni linkages for selected countries are described below.

China: Australia has benefited from its reputation as a high-quality, English-speaking, higher education destination. 12.5% of all Chinese tertiary students abroad are educated in Australia and China is Australia's largest source of international students. Australia's large and growing network of alumni in China plays a vital role in deepening the connections between our countries across the business, government, civil society and education sectors. The majority of alumni maintain close ties with Australia, contributing to the strength and diversity of our bilateral engagement with China.¹⁸

Malaysia: The 300,000-plus cohort of Australian alumni in Malaysia will continue to grow. In many Malaysian boardrooms, there will be a senior person with a connection to Australia. 21,000 students study for Australian qualifications in Malaysia, including at three Australian university campuses. Monash University's Sunway Campus in Kuala Lumpur has more than 5,000 students. The state of Sarawak, in East Malaysia, has two Australian university

¹⁸ China Country Strategy, Australia in the Asian Century

campuses—Curtin University in Miri and Swinburne University of Technology in Kuching.¹⁹

Thailand: Australia's commercial and broader engagement with Thailand has been supported by a growing pool of Thai alumni of Australian educational institutions. The number of Thai student enrolments in Australia increased from just a few thousand in the mid-1990s to 21,630 in 2011 (including higher and vocational education, English language courses and schools).²⁰

India: Joint research supported by the Australia-India Strategic Research Fund (AISRF), Australia's biggest bilateral scientific fund, has built links between the countries' universities and researchers, and contributed to substantial scientific outcomes. The Indian Government has set an aspirational target of providing skills training to 500m workers across 30 sectors in India by 2025. Australia is well placed to contribute its expertise. Indian students are the second largest international student group in Australia, with over 30,000 student visa holders (mid 2013).²¹

International tourism

Besides international education, people-to-people links are also strongly founded on international tourism. China is by far Australia's biggest tourism market ranking first in terms of Inbound Economic Value. Japan, South Korea, Singapore, Malaysia and India are also among the top 10 inbound markets. Under the Tourism 2020 Strategy, the government has established a A\$48.5m Asia Marketing Fund to accelerate the promotion of Australian tourism to growing markets in Asia.²² The fund is administered by Tourism Australia. Indonesia is one of Australia's largest outbound tourist markets, with more than 877,000 Australians visiting Indonesia in 2011.

Public information services and public diplomacy program

The objective of DFAT's public information services and public diplomacy is to project a positive and contemporary image of Australia and promote a clear understanding of government policies and objectives through the department's public diplomacy, cultural and media activities. The desired outcome is an accurate and contemporary image of Australia, an understanding of the government's foreign and trade policies, and strengthened people-to-people links and trade and economic ties.

As part of this initiative, grants are issued by the following Asia-related Foundations, Councils and Institutes:

- Australia-China Council
- Australia-India Council
- Australia-Indonesia Institute
- Australia International Cultural Council
- Australia-Japan Foundation
- Australia-Korea Foundation

¹⁹ Australia in the Asia Century, Country Profiles

²⁰ Australia in the Asian Century, Country Profiles

²¹ India Country Strategy, Australia in the Asian Century

²² Tourism Australia Annual Report, 2012-13

- Australia-Malaysia Institute
- Australia-Thailand Institute

By way of example, the Australia-Indonesia Institute, established by the Federal Government in 1989, builds people-to-people links between the two countries. The institute facilitates projects and exchanges across a range of fields such as sport, media, the arts and science. The Institute's annual Muslim Exchange Program brings young Indonesian and Australian leaders together to strengthen understanding of the role of Islam and interfaith issues in both countries.

The Building Relations through Intercultural Dialogue and Growing Engagement (BRIDGE) program funds visits by Indonesian teachers to Australian schools and supports online curriculum collaboration between Australian and Indonesian schools. Around 90,000 students in Australia and Indonesia have benefited from this program. Activities, like the 30-year-old Australia-Indonesia Youth Exchange, deepen cross-cultural understanding by offering sustained opportunities for young Australians to live in Indonesia and acquire a unique perspective on life in one of Australia's closest neighbours.

Academic, scientific and professional links

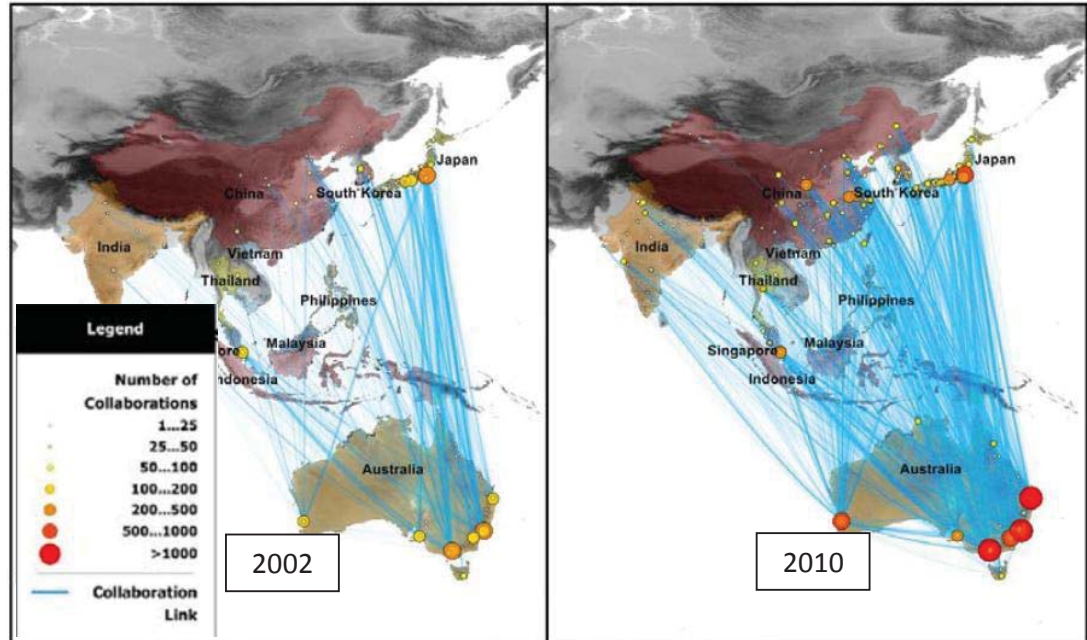
A growing proportion of global scientific research is taking place in Asia. Asian countries, including China, India, Japan, Singapore and South Korea, have world-class research infrastructure and capabilities. China and Japan are home to two of the world's most powerful supercomputers and China is the main source of overseas academic talent in the West, presumably BC also. Despite its small population, Singapore has developed as a world hub of biotechnology research and development, particularly in pharmaceuticals.

China is on its way to becoming a research and innovation powerhouse, with R&D spending reaching US\$164bn in 2012, about 2% of GDP.²³ Chinese students and researchers often seek residency abroad after completing their studies or academic tenure and these new residents tend to maintain close professional and personal links with China. This creates knowledge networks that connect them with global research, technology and innovation centres.

Australia's connections with research communities in the region are strong and growing (see figure below). Measured by the number of joint scientific publications, Australia boasts of being among the top 10 most important partners for China, Japan, India, South Korea, Sri Lanka, Taiwan and all 10 members of ASEAN.

²³ Xinhua News Agency: 2013-10-22, reporting Ministry of Finance.

Scientific Links between Australia and Asia



Source: Australia in the Asian Century

Levels of Government in G2G Engagement

Australia's federal, state and local governments are engaging more with Asia – through bilateral and regional trade negotiations, multilateral forums, and commercial and cultural alliances. Key multilateral and regional forums include: the G20 (in Asia Pacific: Australia, Canada, China, India, Indonesia, Japan and South Korea), the World Trade Organization (WTO), the ASEAN Regional Forum (ARF, a key forum for security dialogue), The East Asia Summit (EAS, a regional leaders' forum for strategic dialogue and cooperation on key challenges facing the East Asian region) and The Asia-Pacific Economic Cooperation (APEC) forum which brings together 21 member economies to facilitate economic growth and prosperity in the region via a seamless regional economy.

At the most senior levels of government, engagement is formalised through annual leaders' dialogues between heads of government. For example, the Australian Prime Minister and the Chinese Premier meet annually, as do the respective foreign ministers in an annual Foreign and Strategic Dialogue. There is also an annual Economic Cooperation Dialogue between Australia's Treasurer and Trade Minister, and the head of China's National Development and Reform Commission. Australia and China also hold annual ministerial-level dialogues on climate change.

In addition to these high-level political connections, Australia and Asia share an extensive network of dialogue mechanisms covering areas of mutual interest. These include ministerial and official-level talks on strategic, trade, economic, environment, agriculture and consular matters. In key Asian markets, such as China, almost all Australian government agencies would have dedicated teams.

State level

Australia's state and territory governments are actively pursuing ties with Asia. The larger states have devised and are implementing multiple engagement strategies for key Asia markets (e.g. China) or regions within Asia (e.g. ASEAN). The strategies typically aim to increase investment, trade, tourism, cultural and education links.

The Government of Victoria - Engagement Priorities for ASEAN²⁴:

- Priority one: Facilitate trade and export growth
- Priority two: Attract investment and assist businesses to internationalise
- Priority three: Foster deeper relationships with South East Asian nations
- Priority four: Improve Victorians' understanding of South East Asia's diversity and facilitate cultural exchange between South East Asia and Victoria

State governments believe they have a key role to play in supporting the state's interests by developing and maintaining relationships with senior officials in key markets, such as China. To this end, the Victoria State Government for example aims to deepen the State's existing relationship with its sister province in China, the Jiangsu Provincial People's Government. In developing its own China relationships, the Victorian Government plans to draw on existing people-to-people and business links. It also stands ready to support local government relationships between Victoria and China.

Local government

Australia and Asia have numerous sister-city and sister-state/province relationships, platforms for state and local governments to advance their relationships with equivalent urban centres any organisations across all levels of government. Even mid-sized Australian cities have extensive exchanges with Asian counterparts for the mutual development of relationships to foster economic and business development, education, culture and staff cultural exchanges. The exchange of visiting trade and investment delegations is frequent, usually led by the city mayor.

China Sister City Relationships²⁵

Australia and China alone currently have 83 sister-state/province and sister-city relationships. Sister Cities Australia Inc. keeps a register of all Australian affiliations. Some of the examples of how sister-city partnerships between Australia and China are formed and evolving:

Brisbane - Chongqing

The 2005 Asia Pacific Cities Summit hosted by Chongqing, People's Republic of China, saw the signing of the Brisbane-Chongqing Sister City Agreement.

Brisbane - Shenzhen

The sister city relationship between Brisbane and Shenzhen is significant and long-standing, having been formalised in 1992. The relationship is currently focusing on economic cooperation and mutual business development opportunities.

²⁴ South East Asia Market Engagement Plan 2013, State Government of Victoria

²⁵ DFAT

Perth – Nanjing

The Sister City agreement with the City of Nanjing, China was officially established in May 1998.

Perth – Taipei

The Sister City agreement with Taipei, in Taiwan, was signed on April 12, 1999, and is the most recent Charter.

Adelaide – Dalian, Chengdu and Qingdao

Adelaide currently has three Sister City agreements with cities in China – Dalian, Chengdu and Qingdao since 2001.

Chapter 6

Government-to-Business Engagement

In this chapter, the following strategic planning related issues will be considered:

- For markets and companies identified as priorities, what is Australia's approach to working with businesses?
- Are specific lead-generating tactics more effective than others (e.g. trade shows, B2B events)?
- Are players other than government and businesses involved, such as industry associations, civil society, and others?

Best Practices – Government-to-Business Engagement

- A 2011 review of Austrade's value proposition in trade and investment promotion accented the need for increased focus on "opportunity identification and distribution".
- The primary focus of Austrade staff is to proactively identify business opportunities—merchandise or service exports—for Australian companies that are highly specific in terms of potential value and product/service requirements.
- Austrade is planning to expand its successful TradeStart program as a means to extend government-to-business engagement into more remote areas of the country.
- In 2012, Austrade successfully launched its International Readiness Indicator, an online tool that filters export aspirants, directing those enterprises with more basic needs to appropriate support.
- The cornerstone of Australia's government-to-business development activity is its proprietary, sophisticated CRM (customer relationship management) system.
- Austrade has moved away from big, set piece "come-visit-this-big-market" type of missions as have most of the states. It prefers missions of smaller groups of 10-15 companies focused on a specific issue or problem. But Victoria State reports excellent results for lead generation of its super trade missions.
- Austrade works closely with key market and hub event trade show organisers to ensure that Australia's most promising companies are made aware of the event.

Best Practices – Government-to-Business Engagement

- Inward investment leads are generated by in-market teams of investment experts. The process for both institutional and corporate investors is similar: identify investor targets, develop a relationship and present well aligned investment opportunities.
- Austrade promotes the use of state-level export support programs usually delivered through chambers of commerce and similar organisations. Industry associations and chambers of commerce are active participants. City Business Councils may have International Business Taskforces that runs discussions groups and speaker sessions on trade and investment strategies, encouraging knowledge-sharing among locally-based businesses.
- “Opportunity” seminars by industry sector are widely used to good effect, both in Australia and in Asian cities.
- Reinvestment, a major contributor to overall investment, should not be overlooked in the search for new leads. Victoria visits every large company in the state once a year.

As part of the *Australia in the Asian Century* White Paper, the government pledged to redouble its efforts to help businesses to identify and secure the opportunities on offer in the region. This will be achieved by making business in the region a little easier through:

- practical in-market and support
- market and sectorial advisory services
- assistance in securing finance; and
- providing ‘badge of government’ support

There will be opportunities for Australia’s SMEs through greater international engagement. The government’s main focus will be assisting these small enterprises, the ones which find it more difficult to identify market opportunities and navigate regulatory requirements, to gain access to trade finance and to establish contacts in target markets. Addressing the impediments these companies face in conducting business in Asia will be important for Australia to capture the benefits of the Asian century.

G2B Approaches

Austrade and its counterpart State agencies work with Australian companies, mainly within Australia, to help them access international markets.

Government-to-business engagement outreach

Within Australia, Austrade has only 12 locations. In-country reach is enhanced through the TradeStart network, managed by Austrade in partnership with State/Territory and local governments and industry bodies in 31 locations in metropolitan and regional Australia, all of which assist in the delivery of the trade (and education) services of Austrade.

Austrade's TradeStart Program

TradeStart is a government initiative that delivers Austrade services through local public sector and industry organisations throughout Australia. TradeStart Partners employ "expert advisers", well versed in the needs of exporters and skilled in matters of international trade. These TradeStart Advisers have access to Austrade's worldwide resources and systems.

TradeStart's main objective is to assist SMEs to achieve sustainable success in international business. The program flexibly addresses the needs of individual businesses drawing on the combined resources of Austrade and the TradeStart partners. The program contains elements of coaching and action learning and performs the following roles:

- It promotes exports and international business
- It works co-operatively with other agencies to maximise the international business success of TradeStart clients
- It represents Austrade, where it does not have a presence, providing access to its services for both existing and potential Austrade clients.

Austrade reports significant success with the additional reach achieved through its TradeStart program, with the number of "assists" using TradeStart representatives numbering up to 50 per representative per year. According to David Landers, GM – International Operations for Austrade:

The TradeStart representatives can be very productive and often enjoy good personal relationships. This is a highly leveragable model and we could easily triple the size of the TradeStart network.

Both federal and state governments have a secondary objective, which is to ensure that trade opportunities are widely disseminated including into smaller towns and distant districts. Regional development in support of outlying communities is an important social as well as commercial priority.

The TradeStart program has a 4-year contract cycle, which is currently due for review and renewal. Details are under wraps but the indications are that the scheme will be expanded. Some TradeStart representatives cover huge territories, for example the Nowra rep covers the southeast region of New South Wales, stretching from Wollongong to the Victorian border, and from the eastern coast to as far inland as Canberra.

State support

Australia's States also regularly engage respective client bases directly and through third parties, such as chambers of commerce. Victoria State has full visibility as to the size and business of its resident corporations, though payroll tax information for example. In a new client engagement model, the State is required to visit every company with more than 200 employees at least once a year, regardless of their industry (there is no attempt to pick winners) or interest in internationalising. At these meetings, local issues and concerns can be discussed but the agency will always probe for any interest in Asia. Chamber of Commerce and Industry Western Australia assists local businesses that are either working through the export process for the very first time, or those planning to develop new export markets using "international trade specialists" providing services such as: assessment of export

potential, exporting requirements, identification of export markets, training courses for exporters, advice on export procedures and business contacts.

Engagement using on-line tools

The IT revolution and dramatic increase in Internet availability has greatly improved the amount of information available online. Prospective exporters, however, may not know where to access this information and how to process the available data.

In 2012, Austrade launched its [International Readiness Indicator](#), an online tool for new exporters designed to help Australian businesses determine whether their business is ready for exporting. Enterprises are invited to complete an online quiz (12 yes/no questions), including topics include such supply capacity, selling proposition, marketing materials, finances and pricing. A report card then rates the company's international readiness and provides sources of assistance to help mitigate any weaknesses.

This type of tool provides another important function, "it screens out the goats". By requiring the interested parties to do some homework themselves, Austrade separates the wheat from the chaff, and at the same time reduces unnecessary the administrative burden on trade and promotion managers.

State and territory governments and industry associations also feature advice on export market planning and strategy. Two examples are:

- (1) export.business.vic.gov.au (the Victorian Government website will guide companies through sample export strategies and it provides a template for companies to construct their own, and
- (2) The Western Australia's Department of Industry and Resources – www.doir.wa.gov.au/exportandtrade, which also provides advice on export marketing plans.

Lead Generation Tactics

A review of Austrade's value proposition in 2011²⁶ accented the need for increased focus on "opportunity identification and distribution". These opportunities are primarily identified in one of three ways: (1) through on-the-ground business development; (2) at trade show/exhibitions; and (3) during trade missions, inbound for investors, outbound for Australian exporters.

Business Development Managers

Business Development Managers (BDMs) are employed in all the main Austrade overseas missions. BDMs work in one or more industry-focussed teams, and assist in identifying and capturing opportunities to develop Australian exports and two-way investment. They develop and maintain market contacts and networks (including Australian businesses and government/local government) and must develop a deep understanding of the commercial environment in Australia's priority industry sectors. It is their job to proactively identify and capture opportunities to increase Australian exports and outward investment. BDMs are expected to be 'pounding the streets', attending conferences/seminars, meeting with local business groups, and visiting exhibitions: "The expectation is that we

²⁶ Reform of the Australian Trade Commission - Maximising Our Value, May 2011

should not be in the office between the hours of 8am and 5:50pm” noted one Austrade executive. Ex-Austrade personnel advised that Trade Commissioners and BDMs should have commercial, customer-facing experience in order to facilitate communication. Clients do not want to feel they have had their time wasted by “some shiny-bummed civil servant.”

Austrade’s Relationship Management System (RMS)

Austrade’s Relationship Management System is its core IT system for managing and sharing information internally about Austrade’s relationships and interactions with businesses and organizations. The system provides the means for Austrade to pursue enhanced online service delivery via the Internet and to build effective relationships with:

- Clients
- Customers
- Investors
- Service providers
- Allies

RMS tools include:

- Organisation Document Libraries to upload and store client, customer and investor documents
- Outlook Integration to capture email communications
- Advanced Find for customising and generating reports
- Lists to assist in the organisation of information

Proactive approach: Working with other colleagues in different posts, and possibly different industry sectors, the BDMs are required to identify and develop commercial themes that may be developed into initiatives aligned with Australia’s priority industry sectors. This will require some in-house market research by an ad hoc team to explore the business proposition and the writing of a paper to assess the market opportunity. The paper is then disseminated to prospective companies in Australia through Austrade’s CRM database. The hope is that this will generate further enquiries and eventually business deals.

Previously, BDMs and Trade Commissioners were assessed and incentivised based on the specific number of export deals successfully concluded. Success depended on the number of Export Service Forms signed by clients. This approach was dropped after unhealthy practices resulted. Austrade staff were tending to compete rather than collaborate, guarding their contacts jealously.

It is the job of Austrade staff to proactively develop specific business opportunities—merchandise/service exports—for Australian companies. These must be highly specific in terms of potential value and product/service requirements. The CRM system requires fields such as volume/value of the transaction, packaging, and customer segments, etc. It is also the job of the business development specialists to identify and work with potential foreign investors to promote and attract foreign direct investment into Australia.

Trade shows/exhibitions

Exhibitions are leveraged selectively by Austrade and the State trade and investment promotion agencies. They are more useful in some sectors than others. Mining, Oil & Gas, Education (roadshows) and Food and Beverage shows have been popular with exporters²⁷; attendance is encouraged and costs are subsidised by the Australia government. Within the Australia pavilion, each interested state may take a small booth of its own.

Agreements with major exhibition companies for logistics and recruitment are pursued. Austrade will get to know all the relevant trade show organisers and will support them in bringing in Australian companies either as visitors or exhibitors. While Austrade does not share its client database with external organisations, it will go so far as to review the Organiser's Australian target list and suggest additional Australian companies to invite to participate. It is also Austrade's role to review and select trade shows, to "cherry pick, rather than spread thinly, like vegemite".

Events & Missions

For events and missions, Austrade believes its greatest value-add is in the provision of business services around such events and the contribution of commercial, market-based insights in third party conferences and seminars rather than recruitment and organisation. Where there are reliable alternatives, Austrade tries to actively seek to partner with relevant allies to organise events and missions. Austrade has moved away from big, set piece "come-visit-this-big-market" type of missions as have most of the states. It prefers missions of smaller groups of 10-15 companies focused on a specific issue or problem. But Victoria State reports excellent results for lead generation of its super trade missions.

This is not always the case. In March of 2013, Austrade partnered with state governments and state chambers of commerce to present a series of briefings by Austrade's Senior Trade Commissioners in the Asian region. They briefed businesses on trade opportunities in the Asian century, and gave their insights on how businesses could realise these opportunities. There were 17 briefings held across Australia over four days, at which Senior Trade Commissioners addressed a total of around 1,500 people.

The States are keen to work with peak industry bodies, bilateral chambers, corporates and foreign trade and investment agencies in priority markets and sectors. One example of how these mission partnerships can deliver results for all parties was provided by NSW. A recent business mission to India by the State Premier included a series of private sector C-level events co-delivered by program partners. The NSW businesses reported benefits from partnering with the NSW Government, such as access, credibility and profile. The NSW Government in turn benefited from the opportunity to promote NSW capabilities and opportunities to a well-qualified, CEO level group of contacts in priority sectors.

Roadshows

Austrade also engages with business via numerous information sessions within Australia and in regional capitals. Typically these would focus on "opportunities"

²⁷ TIQ Shanghai

in various industry sectors. As part of Austrade's engagement in the *Australia in the Asian Century White Paper*, Austrade ran 17 seminars across Australia to present businesses with trade, investment and education opportunities in Asia. 13 Senior Trade Commissioners and three Trade Commissioners, all from Asian markets, briefed a combined audience of 1,500 on Asia-wide insights and sector-specific market opportunities.

The States also recognize the importance of engaging directly with their companies. By way of example, Victoria State staff is required to visit all Victorian companies with more than 200 employees at least once a year. They will take the opportunity to discuss local issues, but also inquire how they could be supported in their international ambitions, if any.

Inward Investment lead generation

Austrade looks at foreign investment in two aspects:

- (1) Sovereign wealth funds and private capital institutions
- (2) Corporate investment

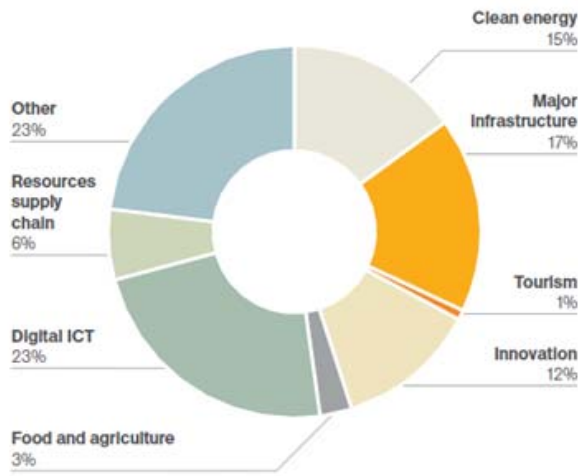
The former group of large institutional investors are typically very savvy with extensive experience. For this easily identifiable group, the objective is to present Australia's project opportunity set (most interest lies in the resource sector), and highlight the country's very low sovereign risk rating as a good fit for investor asset allocation algorithms. In-market representatives of state and federal agencies would be expected to develop and nurture personal and institutional relationships with these targets. As a national agency, Austrade may find access to these institutions relatively straightforward. Victoria State emphasises the need for a champion on the inside of the target organisation, which is where a strong alumni and/or business network can be invaluable. It may also be necessary to have a 'hook', a specific issue (e.g. regulatory change or major new project) that could generate some interest across the table.

The latter group is typically interested in gaining market share in Australia, establishing their brand or acquiring technology or know how. For this group, Austrade's investment commissioners will identify screen and qualify investors whose interests align those of Australia. The key is developing a strong rationale for investment. David Lander, GM – International Operations, explained:

We then work with the States to get a product on the table. Given Australia's current industry structure, more often than not these are likely to be one of tourism and economic infrastructure, resources, food/agribusiness, innovation and energy.

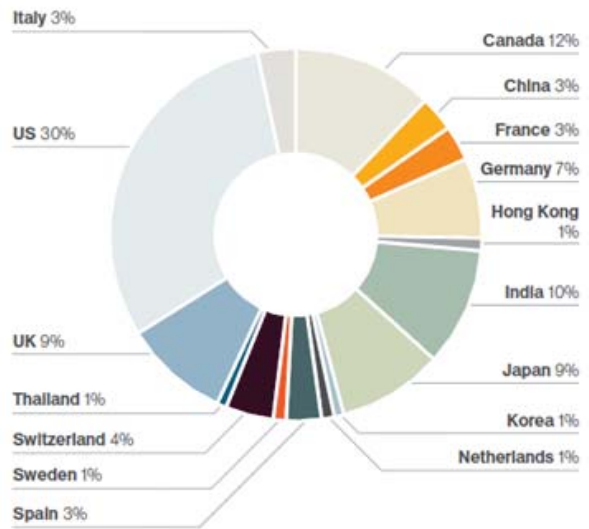
Austrade, measure its performance based on the number of assisted inward investment outcomes achieved.

Number of inward investment outcomes, 2012-13 - by sector



Note: Refers only to Austrade assisted inward investment outcomes. Total number of outcomes is 69.

Number of inward investment outcomes, 2012-13 - by source country



Global investment leads are tracked through Austrade Relationship Management System.

Screenshot of Austrade RMS

Project ID	Project Name	Primary Organisation	Primary Contact	Country of Origin	Stage	Investment Type	Owner	Status Reason
PRJ10000850		India InfoLine Ltd.	Kamal Goel		1 - Prospect		Bhavin Kadakia	Open
PRJ10000864		Claris Lifesciences Limite	Amit Goswami		1 - Prospect		Bhavin Kadakia	Open
PRJ10000692		Kongkiat Textile Co., Ltd.	Adul Kongkiatirai		1 - Prospect		Sarakit Chutikul	Open
PRJ10000781		Value Labs	Biju Madhav		1 - Prospect		Sangeetha Krishna	Open
PRJ10001035		ESG Solutions	Shan Jhamandas		1 - Prospect		Komru Kumar	Open
PRJ10001025		Sun Metals Corp Pty Ltd	Sang Bum Lee		1 - Prospect		Charles Kang	Open
PRJ10000932		Sun Metals Corp Pty Ltd	Sang Bum Lee		1 - Prospect		Charles Kang	Open
PRJ10000830		Steris (India) Limited	Ashwath Patil		1 - Prospect		Bhavin Kadakia	Open
PRJ03-01162	(CONFIDENTIAL)	Novartis Pharma AG	William Harrison	Switzerland	4 - Outcome Suc...	Reinvestment (Busine...	Nicola Watkinson	Open
PRJ07-01359	1Sbelow	1Sbelow	Nicholas Key	United Kingdom	3 - Investment ...	New/Green Field Ope...	Nicole Pearson	Open
PRJ06-00744	3 United	3 United Mobile Solution	Harald Bauer	Austria	1 - Prospect		Christina Neisser	Open
PRJ03-00535	360 Treasury	360 Treasury Systems A	Matthew Kuppe	Germany	1 - Prospect		Silke Zurinden	On Hold
PRJ03-00310	3G Mobile Communication	3Gct	Fusao Yamada	Japan	3 - Investment ...	New/Green Field Ope...	Courtney Buller	Open
PRJ03-01168	3M	3M ITS	Heinrich Bantli	United States of Ar	1 - Prospect		svc CSSDM	Open
PRJ08-00376	3Tier in Australia	3Tier	Cameron Potter	United States of Ar	3 - Investment ...	New/Green Field Ope...	Kelly Sims	Open
PRJ10000775	401 Capital	401 Capital Partners Inc	Jonathan Carlew	Canada	1 - Prospect	New/Green Field Ope...	Kevin Lamb	Open
PRJ06-00882	85C Cafe set up factory & franchise ...	85C	Robin Lin	Taiwan	2 - Lead		Dul Chang	Open
PRJ09-00208	9REN	9REN	Paolo Pietrogrande	Spain	1 - Prospect	New/Green Field Ope...	Jean-Baptiste Nithy	Open
PRJ10000915	9Ren Italia	9REN Italia	Antonella Pellegrini	Italy	1 - Prospect	New/Green Field Ope...	Rachel Kelly	Open

Source: Austrade unpublished report - Organising IPA Services Around Investor Needs, Dec 2010

Stakeholder Partners

By its own admission, Austrade used to maintain an excessive number of formal partnerships with industry and private stakeholders. For more effective collaboration, new principles and business processes governing Austrade's establishment of partnerships, service provider relationships and alliances were introduced. A more disciplined approach reduced the number of partnerships,

making sure that those that remain are based on shared objectives and mutual interest.

At the federal level, Austrade has strengthened collaboration with organisations such as Enterprise Connect and the Industry Capability Network. Enhanced, practical collaboration with other government and private sector service providers in Australia where they are better placed to deliver opportunities to companies or to develop export capability is to the benefit of Australian firms and this will be an early priority.

With a national network of centres and around 100 experienced Business Advisers and Facilitators, Enterprise Connect provides business improvement services to businesses in industries as diverse as manufacturing, clean technology, resources, defence, tourism, creative, information and communication technology, transport (freight) and logistics and professional services sectors.

An array of public sector TradeStart advisors work with Austrade to ensure organisations in suburban areas and smaller cities have access to Austrade services through the following organisations:

- NSW Business Chamber
- NSW Department of Trade and Investment
- Export Council of Australia (Victoria)
- Australian Industry Group (Victoria)
- Australian Institute of Export (Victoria)
- Chamber of Commerce & Industry Queensland
- Gold Coast City Council (Queensland)
- Trade & Investment Queensland
- Western Australia Department of State Development
- South West Development Commission (Western Australia)
- The Department for Manufacturing, Innovation, Trade, Resources and Energy (South Australia)

The TradeStart network, including its contributing stakeholders, will continue to be an important part of Austrade's service delivery network.

Austrade also works closely with industry associations, chambers of commerce, business councils and other allied partners. Austrade's State Directors help to manage Austrade's relationships with state investment/promotion agencies, as well as with state and territory governments.

Industry associations and chambers of commerce are active and enthusiastic participants. In Canberra for example, the Canberra Business Council has an International Business Taskforce that runs discussions groups and speaker sessions on trade and investment strategies, encouraging knowledge-sharing among Canberra-based businesses.

Chapter 7

International Marketing

In this chapter, the marketing techniques used by Australia in its inward investment promotion will be considered:

- What marketing techniques are used to attract investment (e.g. public relations, search engine marketing, search engine optimization, content marketing)?
- Of these techniques, which have proved most effective in Asian markets?

Best Practices – International Marketing

- Marketing techniques such as public relations, search engine optimization and content marketing are not considered primary tools for attracting investment.
- Both Austrade and most States provide content for prospective investors, including supposedly objective international rankings of Australia's competitiveness (The Australia Benchmark Report), which is used for PR purposes.
- Industry Capability Reports (ICR) are designed to address a typical investor's information requirements for a specific industry; they also reduce the workload for onshore industry and the administrative burden on the states/territories.
- Opportunity reports, produced in collaboration with external consultants, provide useful market entry data and analysis for specific segments.
- Austrade administered the A\$20m 'Australia Unlimited' branding campaign, which repositioned Australia in the minds of prospective investors (from 'Lucky Country' to 'Smart Country')—but attempts to make the brand ubiquitous have been less successful.

While Asian inward investment in Australia is growing, the so-called 'Established Markets' remain the largest sources of foreign investment for Australia. Consequently, for investment most of Austrade's marketing efforts and resources are directed toward the developed markets of North America, Europe and Japan.

Content Marketing

Content marketing involves the creation and disseminating of relevant content to attract, acquire, and engage a clearly defined and understood target audience, in this instance prospective foreign investors. Both Austrade and selected States provide extensive content for prospective investors. Most of the content concerns investment in the country or State. For potential investors all content is invariably free to access.

Website information

Potential investors are invited to download useful guides, publications and charts on Australia's regulatory environment and the country's performance across a range of economic and social indicators. These include:

- Australian Foreign Investment Guide
- Annual Benchmark Report - key investor Indicators of Growth, Innovation, Talent, Location, and Business
- International Data Comparisons (IDCs) - easy-to-read quarterly summary of Australia's performance and position
- Financial Services Gateway - guide to help international investors navigate financial services regulation in Australia
- Investor Map - snap-shot view of Australia with key information of interest to potential foreign investors
- Data Alerts - latest statistics and figures on Australia's economic performance

The following publications are also provided:

Industry Capability Reports (ICR)

The purpose of an ICR is to provide basic information on an industry sector that a typical investor would require to enable them to seriously begin to consider Australia as a potential investment destination.

Austrade's ICRs were developed to provide off-the-shelf information that responded to frequently asked questions by potential investors. They are also intended to reduce the workload for onshore industry teams as they do not have to reproduce the same research each time an inquiry comes in. Similarly, the ICRs should reduce the burden on the states/territories as the Australian Government does not have to issue as many Foreign Investment Leads (FILs) for responses.

Sometimes the ICR can be very detailed and narrow, or sometimes quite broad. For example, the renewable energy ICRs are generally broader and cover, for example, the Australian solar industry, and would be a maximum of 30 pages. In the Health, Bio and Wellbeing sector, sometimes reports are provided that are 50-100 pages and provided detailed technical information on for example, cardiovascular research and drug therapies at various stages of commercialization. The reports include examples of Australian companies with specialist expertise.

Examples of recent ICRs:

- Oil and Gas Industry Capability Report (Nov 2013)
- Processed Food Industry Capability Report (Nov 2013)

- Heavy Haul, Intermodal and Freight Rail Capability Report (Oct 2013)

The ICRs, Austrade believes, allow for a more flexible, more responsive system by presenting standard information up front. The Foreign Investment Lead Systems (FIL) can then focus on follow-up questions, more detailed information requests and non-standard information. The ICRs maintain a principle of open information sharing and coordinated responses to clients. The States/Territories have input into the preparation of the ICRs, and can use them for own purposes.

Investment Opportunities Reports

Austrade also produces reports that highlight specific opportunities for investors. For example the Sept 2013 Australian Remote Renewables: Opportunities for Investment report which was prepared by AECOM, an infrastructure consultancy. The report highlighted the market potential, related project requirements and expected levels of investment. These documents may also be used proactively as direct mailing through the Relationship Management System.

In addition to publications that speak to publications, Austrade also publishes analysis of regional trends such as economic integration as well as updates on inward investment trends (e.g. Thailand Flexes Investment Muscle in Australia).

The Austrade website introduces prospective investors to dedicated Investment Managers in 17 countries. In Asia these are: Taiwan, China, Japan, Thailand, South Korea, Singapore, Hong Kong and India. The professional biography of each manager is presented alongside contact information.

	<p>Mallee Karnasuta Investment Manager, Bangkok</p>
	<p>Tel: +66 2 696 4833</p>
<p>Mallee Karnasuta is Austrade's Investment Manager, Bangkok. Mallee's current role covers investment promotion and attraction from Thailand to Australia across all industries, with a focus on tourism infrastructure.</p>	
<p>Mallee has over twenty years of experience in Austrade, providing strategic advice and assistance to a number of Australian companies in establishing and exporting their businesses to Thailand. Prior to her investment role, Mallee had worked on a variety of industry sectors including Business and Financial Services, Education, Clean Energy and Environment, Franchising, and Creative industries.</p>	
<p>Mallee also has substantial background in financial and banking sector from her work with the Industrial Finance Corporation of Thailand as project analyst before joining Austrade in 1989.</p>	
<p>Mallee received a Bachelor of Arts (First Class Honours) from Chulalongkorn University, Bangkok, and a Master of Arts in International Relations from California State University, Sacramento, USA. She also completed marketing and business management short courses from University of California at Berkeley and Australian Institute of Management.</p>	

Public Relations

All Austrade marketing for the Asian region is coordinated and managed by the Marketing & Communications Department based in Sydney, Australia. The agency uses many of its regular and ad hoc publications to engage the interest of print, online and other media. One such annual report is *The Australia Benchmark Report*, which considers the key investor Indicators such Growth, Innovation,

Talent, Location, and Business and compares Australia's situation with that of other countries. Austrade reports its spending on advertising and marketing research.

Austrade Spending on Advertising & Marketing Research

Description	Value (\$) (including GST)
Media advertising organisations	770,049.45
Advertising agencies	41,232.04
Market research organisations	800,559.62
Polling organisations	Nil
Direct mail organisations	53,756.17
Total	1,665,597.27

Source: Austrade Annual Report, 2012-13

Brand Australia

Australia has long been at the forefront of location branding, the latest incarnation being "Australia Unlimited". In May 2010, Austrade launched a 4-year, A\$20 million, campaign to refresh Brand Australia. It was decided that the campaign should not be managed by Tourism Australia, because "tourists already know this is a great place to come and have a holiday. The need was seen to convince people that Australia was a great place to invest, a great place to come and be educated a great place to live, and a great place to build your business base from"²⁸.

Building Brand Australia Program

Following a series of dialogues about the importance of Australia's international business, a whole-of-government initiative administered by Austrade was launched. The purpose of the program was to develop a knowledge base, assets and strategies that can be used to help enrich Australia's reputation and positioning Australia as a world-class business partner by showcasing its commercial, intellectual and creative credentials.

Australia is already one of the world's most admired nations. It is famous, beautiful and possesses productive natural assets. Australians are considered warm, trustworthy and capable.²⁹ But policymakers believe that Australia's reputation for innovation, creativity, technology and science is not as good as it deserves to be.

The goal, therefore, of the Brand Australia program was to stretch the perceptions of Australia into the more business focused ('assertive' and 'dynamic') areas of the brand archetype model (see figure below). When the model was applied to the Australia brand, it revealed a strategic opportunity: Australia was viewed as 'positively different', meaning there is 'room' or 'space' for the world to hear its story.³⁰

The boomerang map logo

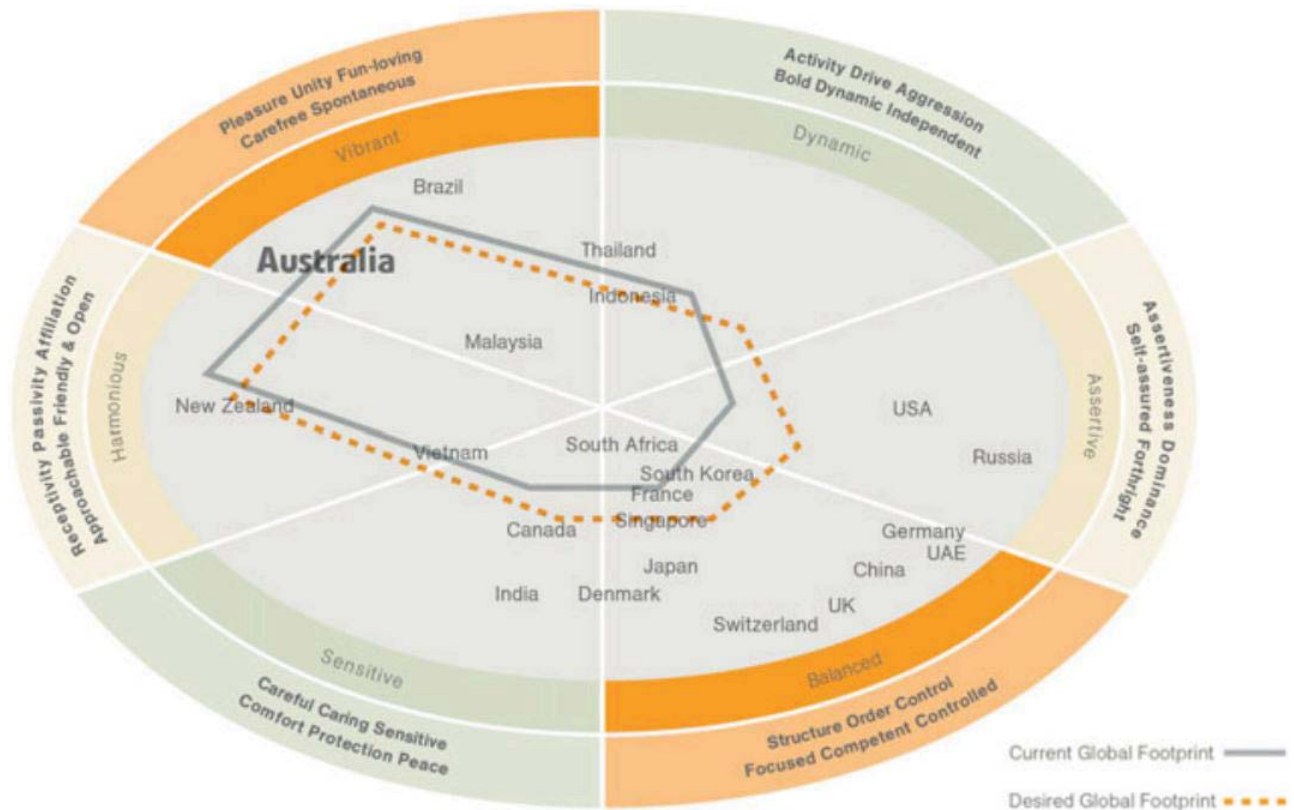


²⁸ Trade Minister Simon Crean, August 2009

²⁹ www.australiaunlimited.com/page/brand-australia/engage

³⁰ Building Brand Australia - Industry Engagement, Austrade.

Brand Australia according to the brand archetype model



Note: Brand archetype models capture the emotional and rational responses to brands and reveal subtle differences between brands
 Source: Building Brand Australia - Industry Engagement, Austrade

The story was told using digital content platforms, the idea being to present meaningful, contemporary Australian stories in an engaging way. It was developed by M&C Saatchi following industry consultation, a public tender and extensive international and domestic research which confirmed a need/desire for a contemporary and consistent way to present Australia internationally, especially in a business-focused context. Australia Unlimited was tested among 14,000 people in 12 markets and found to effectively project an image of Australia as a confident and globally engaged business partner.

To date, more than 350 Australian stories have been published on www.australiaunlimited.com, showcasing the work of Australian world-class scientists, designers, entrepreneurs, artists, humanitarians and businesses. By sharing their stories through Australia Unlimited content platforms, Australia aims to show the world that Australia is as clever as it is beautiful, and to create a new Australian narrative based on collaboration, capability, confidence and creativity.³¹

Austrade reports that Australia Unlimited was used to badge Australia’s presence at international trade events managed by Austrade and as the

³¹ Building Brand Australia - Industry Engagement, Austrade.

umbrella brand at high profile international events. Industry awareness of Australia Unlimited has continued to grow, supported by a campaign that generated coverage in industry media and a higher-than-average click-through rate on the website, with more than 3,000 clicks from 2.4m impressions.

Australia Unlimited

Current perceptions of the Australia brand:

The Reputation Institute's survey revealed that Australia is famous for its great lifestyle and natural beauty, and is also considered to be a responsible global citizen and good place to do business.



Desired perceptions of the Australia brand:

Australia is not so well recognised for its technology, products, innovation and culture. The aim is to change perception by tapping its people (exporters, scientists, designers, educators, entrepreneurs, artists and humanitarians). Their work provides the evidence for Australia's commercial, intellectual and creative credentials.



A note on terminology: 'Brand' means the same as reputation or image. Brand Australia is not a logo or graphic device but the sum of rational and emotional qualities that people associate with Australia. Brand Australia is not how Australians see themselves (that is national identity), but how others see Australia. Australia is a brand. Australia Unlimited is a brand identity.

www.australiaunlimited.com

Business Culture Design Environment Food Science Society Technology

A website sharing the stories of people changing the world for the better – through their art, business acumen, scientific or humanitarian efforts. The common thread is Australia: whether it’s through a person’s place of birth or their experience of living, working or studying in the country, Australia Unlimited explores the contribution Australia’s people are making to global issues. There are more than 350 stories profiling Australian achievements available on www.australiaunlimited.com. A smartphone app on iPhone and Android contain all the latest content also, with up to four new articles promised every fortnight.

The verdict of Austrade on the latest Brand Australia campaign with the benefit of hindsight: “remarkably effective given the limited funding available for this type of global location marketing effort” (David Landers, GM - International Operations).

Perceptions Research

Austrade undertakes ongoing research to understand global perceptions of Australia. In 2013, the research revealed, while Australia’s image is still strongly associated with landscape and lifestyle, perceptions of its business environment, contribution to the global community, governance and approach to technology have shown marked improvement over recent years.

In 2013, Austrade launched Insights Unlimited (www.insightsunlimited.com.au), a web portal for government employees that compiles international research on Australia’s reputation. (Access to Insights Unlimited is restricted to Australian State/Territory and federal government employees due to the copyright restrictions of the data used in the site.)

Search Engine Optimization /Marketing

Search engine optimization is the process of maximizing the number of visitors to Austrade’s website by ensuring that the site appears high on the list of results returned by a search engine. The States and federal government work hard to ensure that investor enquiries reach the appropriate agency.

In fact, most states have already optimized their agency name in search engines, with standard Google searches such “Invest + Name of State” yielding the appropriate government site.

Chapter 8

Performance Measurement

In this chapter, the following performance measurement issues will be considered:

- How are results measured in terms of attracting investment and promoting trade?
- What specific performance measures are used, and do these measures focus only on outputs/outcomes (i.e. number of export deals signed) or do they also reflect the quality of inputs (i.e. staff performance in providing export services)?
- How do performance measures inform future decision making?

Performance Measurement – Best Practices

- Australia has moved away from purely quantitative measures to include subjective assessment of quality of opportunities generated; hard metrics are still used in conjunction.
- Reported trade performance measures (Austrade as an organisation): (1) the number of Australian companies that export goods and services; (2) qualified export leads; (3) number of services rendered / number of businesses serviced; (4) service satisfaction of exporters.
- Reported inward investment performance measures: (1) identification of emerging trends and opportunities; (2) identification of relevant market themes (e.g. Emerging MNCs in Asia); (3) number of site visits; (4) number of State 'assists'.
- The dollar value of investment facilitated is also important for Austrade and the various State agencies, but is less likely to be externally reported due to the notorious lumpiness of investment.
- Trade and investment metrics are tracked by market/region and by sector. In this way, trade and investment promotion agencies can track achievements according to strategic priorities (Chapter 3).

Investment & Trade Metrics Used

Austrade used to insist on quantifiable measurements, but has since come to realise that the more appropriate answer usually includes some level of subjective judgement. The Senior Trade Commissioners who head every overseas Austrade post are evaluated on a quarterly basis, using the following criteria:

- (1) The number of opportunities generated
- (2) The conversion rate of opportunities to actual business
- (3) The number of clients served
- (4) The number of referrals provided
- (5) The number of customers engaged; and the other axis of measurement
- (6) Quality of the opportunities (heavy weighting)

Metrics 1 to 5 are all recorded in the Relationship Management System (RMS). But the assessment of quality remains subjective and the GMs of each of the three market segments (i.e. Established Markets, Growth & Emerging Markets, East Asian Growth Markets) need to review the quality aspect opportunity by opportunity.

Austrade insists that measurement and accountability are still important. But as David Landers (GM – International Operations) explains:

Assessment should not be a purely numbers game. At a simplistic level, a container of tomatoes is not the same opportunity as a 20-year infrastructure development.

The numbers are there for “attention directing purposes” only. If results were abnormally low, then this would trigger a conversation. An interview with an Austrade Business Development manager corroborated this approach: “I’m not being deliberately vague”, she noted “we just don’t have hard numerical targets”. Some of the State agencies are not so flexible.

Tak Adachi, Commissioner - Japan for Trade and Investment Queensland (TIQ) said that “If we don’t meet our [A\$] targets we are out the door”. However, he admitted that this simplistic approach, while skirting the difficult issue of quantifying the value of facilitation, has its shortcomings. Chief among them is the inherent bias pure financial targets can create: “Why chase strategic life science projects with little upfront dollar value, versus a big mining acquisition?”

There is also recognition that performance KPIs should be based on team rather than individual performance. As Gary Offner, Director – Priority Markets and Partnerships for NSW Trade & Investment pointed out, “our officers rarely deliver opportunities single-handedly”.

Performance measurement is therefore as much an art as it is a science. The accuracy of measurement is questionable and global business is more complex such that it is difficult to know which measures best apply. For example in ICT-related business “it is hard to say who is the buyer and who is the seller—it’s more about forming alliances”. Consequently, one past Austrade Regional Director advises a mix of qualitative and quantitative measures.

Another reported trap: it is easy to devote too many resources to harvesting the numbers, versus performing business development.

TRADE PERFORMANCE MEASURES

Austrade uses at least five trade performance metrics.

Austrade Trade Performance Measures

Performance Measure	Outcomes (for 2012-13)
High-potential international trade opportunities identified and presented to Australian businesses and education institutions	Austrade identified and distributed 816 transactional commercial opportunities to Australian businesses and education institutions both directly and through external networks. Additionally, Austrade assisted Australian firms to win business arising from opportunities that those firms had identified, as well as through longer-term, project-based opportunities. As part of its engagement in the <i>Australia in the Asian Century White Paper</i> , Austrade ran 17 seminars across Australia to present businesses with trade and investment opportunities in Asia. 13 Senior Trade Commissioners and three Trade Commissioners, all from Asian markets, briefed a combined audience of 1,500 on Asia-wide insights and sector-specific market opportunities.
No. of Australian businesses and institutions provided with practical in-market services and advice	In the year 2012-13, Austrade provided a range of service offerings to 4,867 Australian businesses and education institutions. This was less than in previous years following the implementation of the Austrade Review, which included a refocus on providing higher value-add services—only servicing internationally ready firms—and an increased emphasis on investment attraction in established markets. Additionally, applications for Export Market Development Grants, previously incorporated into this category, are now reported as a stand-alone category.
Australian client satisfaction with Austrade’s services	The Service Improvement Study for 2012-13 showed 87% of Australian businesses and education institutions surveyed valued Austrade’s services.

Source: Austrade Annual Report 2012-13

■ The number of Australian companies that export goods and services

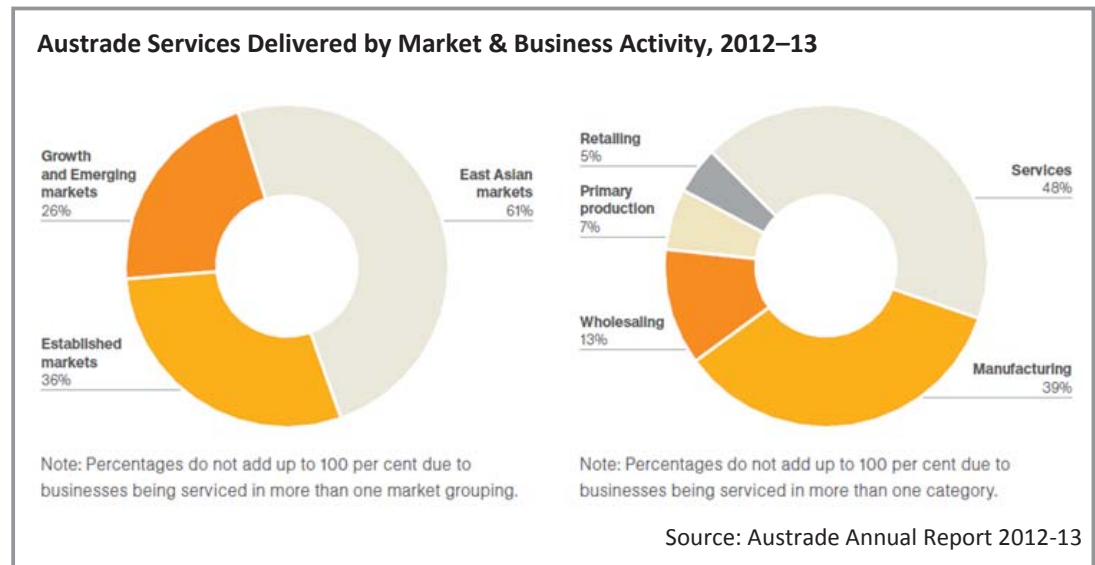
More than 44,500 in 2011-12, with a continuing and demonstrable shift in Australian export destinations, from ‘Western’ established markets to ‘Eastern’ growth markets. A previous metric was the number of ‘new’ exporters, but this was too simplistic and led to artificially high numbers of small new exporters reported shipping little more than samples—value is equally important.

■ Qualified export leads

In 2012-13, Austrade disseminated over 800 qualified trade (and education) opportunities from international customers to Australian businesses and education institutions directly, as well as through external networks. These may include potential projects and possible partners for Australian goods and services.

■ Number of services rendered / number of businesses serviced

The separate recording of general and tailored services started in October 2012. During 2012-13, a total of 11,698 services were delivered to 4,867 businesses profiled by business activity and region.



■ Service satisfaction of exporters

Austrade conducts frequent client surveys using independent polling of companies served. The 2012-13 Service Improvement Study found that 87% of clients surveyed were satisfied with Austrade's services. Reportedly, corporate advocacy is a key element of satisfaction measurement: "Would you recommend our services to another company?"

■ Number of trade themes identified

Both Austrade and Victoria State are moving away from the traditional industry vertical model to stress more on theme and trends that reflect major shifts in demand.

Verticals will remain important also, but the aim is to perceive unmet demand across industry groups.

Example: The Chinese healthcare market is growing by 10% annually, and is expected to be the second-largest worldwide by 2020. The government has released a healthcare reform policy supporting an investment of more than US\$100bn in programs such as new hospital construction. This may have ramifications for investment in hospitals, medical IT, medical tourism, retirement homes, healthcare education, etc.

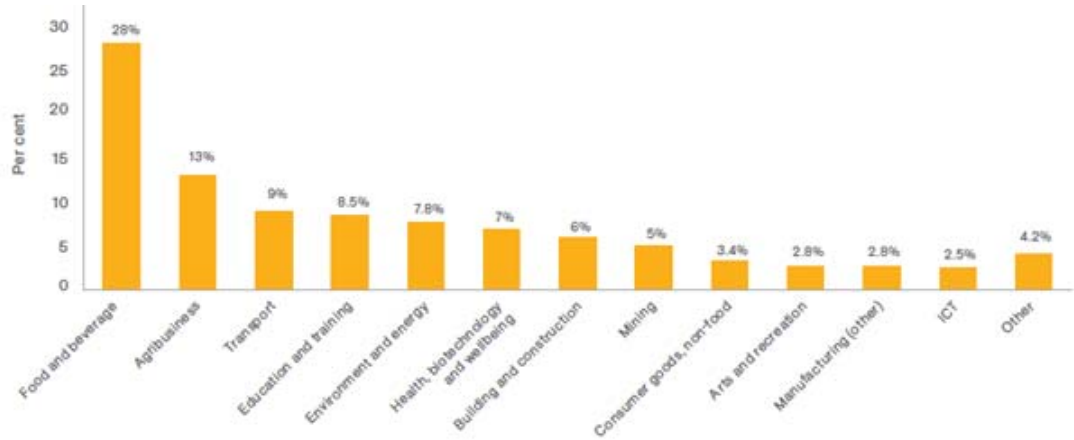
Austrade identified and presented six trade themes in 2012-13

- » Food security, safety, supply, and agribusiness productivity
- » Mine site radiation, mine safety and skills development
- » Global supply chain hubs, logistics services, and advanced manufacturing
- » Innovation, technology and services – major sporting events, health and medical services, and research and development collaboration
- » Infrastructure – airports, rail, freight, Public Private Partnerships (PPP) and green buildings
- » Clean energy, environment and water – water supply, waste management, energy efficiency, low emissions and remediation technology.

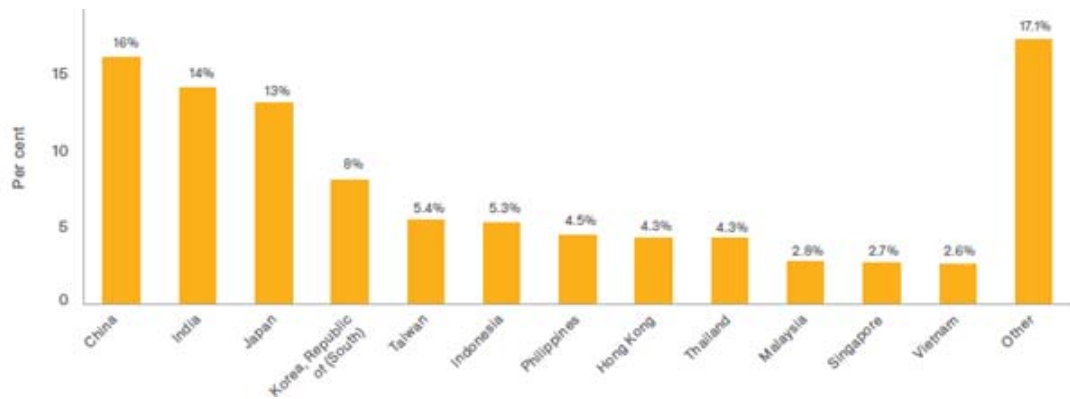
Victoria State also identifies its own themes:

- » The Rise of Consumerism in Indonesia
- » Emerging Asian MNCs

Share of Trade & Education Opportunities: Australia’s Top 12 Industries, 2012-13



Share of Trade & Education Opportunities: Australia’s Top 12 Markets, 2012-13



Source: Austrade Annual Report 2012-13

Austrade and the State agencies also have administrative performance metrics with respect to export market development grants. Key metrics in this instance would be the number of applications or grant recipients and value of grants disbursed.

Contribution to ‘whole-of-government’ policy development is also considered a metric of importance to trade and investment development.

INVESTMENT ATTRACTION PERFORMANCE MEASURES

Victoria State acknowledges that the value of inward foreign direct investment is the most important metric. The current target for the agency is A\$4bn of which 70% is allocated to reinvestment, leaving around A\$1bn for new FDI. The issue with dollar investment measures, according to Victoria State, is that gestation is long and the sums are often very ‘lumpy’, making it difficult to set targets and remunerate accordingly.

Austrade Inward FDI Performance Measures

Performance Measure	Outcomes (for 2012-13)
Achievement of agreed investment objectives in priority areas and in target markets (working with Commonwealth, state and territory government agencies).	Austrade's targeted inwards investment activity centres on identifying potential foreign investors for priority areas. (Agreements between Austrade, relevant Commonwealth departments and state and territory governments are in place). During 2012-13, Austrade assisted in the attraction of 69 inward investment outcomes.

Source: Austrade Annual Report 2012-13

During 2012-13, Austrade registered 69 inward investment outcomes, of which more than 75% fell within the investment priorities for government. The largest number of outcomes was in the digital economy and major infrastructure sectors, followed by clean energy and innovation. Of the projects that were outside government investment priorities, the majority were in the retail and financial services sectors.

Other investment performance metrics include:

■ Identification of emerging trends and opportunities

The identification of relevant market themes also applies to inward investment attraction. Victoria State adopted the theme of *The New Wave of Emerging MNCs in Asia*.

■ Number of site visits

Austrade worked with state and territory government partners to provide support for site/location visits. During the course of 2012-13, Austrade supported 60 site visits.

■ Frequency of state assistance

Austrade also helped state and territory governments by delivering market insights and intelligence for investment milestones (which may contribute in due course to positive investment outcomes). During the course of 2012-13, Austrade provided assistance for 91 investment projects.

Decision-making Response

The various performance measures are important in relation to decision making, but decision making response should remain flexible. Slavish short-term response to the various metrics is not helpful. Inward investment can be very lumpy and trade performance too, depending on the scheduling of Super Trade Missions for instance.

Austrade has reportedly had some bad experiences with a "collecting scalps" mentality. Previously, staff were evaluated on the number and value of assists provided to exporters, with clients required to sign an acknowledgement of service as evidence. This presented trade commissioners with an incentive: (1) to inflate the number of service agreements; (2) to not share intelligence of potential clients; and (3) to compete with other Austrade regions. The trade and promotion organisation can lose sight of the overarching objective if measures are allowed to dictate policy.

Chapter 9

Trade and Investment Statistics

In Chapter 9, the following trade and investment statistical issues will be considered:

- What statistical systems does Australia utilise to track inward and outward trade and investment?
- How do they differ from the systems available in Canada?
- Does Australia promote outward investment?

Trade and Investment Statistics – Best Practices

- Two key areas in which BC is perhaps deficient in comparison to Australia in its monitoring of trade and investment flows are: (1) service exports (as opposed to merchandise exports); and (2) outward investment.
- Like Australia, BC is predominantly a service economy. Australia's DFAT produces detailed annual statistical reports on international trade in services (by type of service and direction of trade), including at the state level.
- The Australian Bureau of Statistics (ABS) provides Balance of Payments data on outward FDI by industry, and separately by country.
- Australia uses outward investment data in market opening / market access negotiations, as well evidence of business linkages. However, ABS does not produce statistics on the international investment position at the state level.

----- Other Key issues

- Being an island, Australia does not suffer any statistical leakage of re-exports through third-party ports. Canadian government trade commissioners suspect that BC merchandise exports to Asia are understated. The transshipment of cargo via US West Coast ports and/or minimal value add and re-export of cargo in the US may obscure Canada's true trade position with Asia.
- Austrade plays lip service to its mandated role of supporting Australian enterprises that want to invest overseas. In practice, support for outward investment is a low priority for Austrade and its counterpart state agencies, especially in relation to inward investment and the promotion of Australian exports. It is politically sensitive to be seen to be assisting the exporting of jobs, even if there is a convincing business rationale.

Statistical systems

Inward investment statistics are compiled by two primary agencies in Australia:

(1) The Australia Bureau of Statistics (ABS)

www.abs.gov.au

(2) The Foreign Investment Review Board (FIRB)

www.firb.gov.au

There are fundamental differences between ABS international investment statistics and FIRB approvals statistics.³² FIRB approvals statistics only measure proposals for inward investment that require Commonwealth Government approval. They do not cover investment levels, investment income, or actual transactions and other changes in inward or outward investment; all of these aspects are covered by ABS international investment statistics.

ABS Investment Statistics

ABS international investment statistics measure actual investment activity between residents of Australia and residents of the rest of the world (non-residents). International investment activity under this system of measurement is defined to include:

- the levels (stock) of Australia's foreign financial assets and liabilities at a particular date;
- capital transactions (investment flows into and out of Australia) which cause changes in the levels of these assets and liabilities;
- other factors which affect the level of investment such as valuation and price changes and exchange rate variations; and
- the income receivable and payable on these foreign assets and liabilities.

International investment activity is classified in a number of ways. The main classifications used are: direction of investment, which refers to the basic distinction between inward and outward investment that underlies the categories foreign investment in Australia (FIA) and Australian investment abroad (AIA); resident institutional sector; type of capital; instrument of investment; industry of investee; and country of immediate debtor/creditor.

FIRB Investment Approvals Statistics

The mandate of the FIRB is to assist the Government in administering foreign investment policy. The Board examines proposals by foreign interests to undertake investment in Australia and makes recommendations to the Government on whether those proposals are suitable for approval under prevailing government's policy. As a by-product of this process, the FIRB produces and publishes, in its annual report, statistics on the number of proposals received and approved and the expected value of investments associated with those proposals. It does not assess outward investment.

The statistics on approved proposals are classified by: (1) the state/territory in which the investment is to be made; (2) the industry of investment; and (3) the country of the investor. In the statistics on investment proposals, a distinction is

³² Information Paper: Foreign Direct Investment Data Collection: Overcoming Hurdles and Obstacles in FDI Measurement and Collection, Aug 2003, ABS.

made between "consideration" and "total expected expenditure". The consideration is what is expected to be spent on the purchase of the Australian asset, while total expected expenditure is the sum of the consideration plus future expected development expenditure.

It is important to note that FIRB approvals statistics:

- only relate to proposals for investment that require Commonwealth Government approval; and
- measure the "expected" value of investments (as opposed to actual expenditure) associated with those proposals, irrespective of whether the investment is to be made or financed by residents or non-residents.

For detailed information on the investment systems (scope, definitions, metrics, etc.) please refer to the following documents/websites:

www.abs.gov.au/ausstats/abs@.nsf/mf/5370.0.55.001

www.firb.gov.au/content/Publications/AnnualReports

Differences versus Canada

The two areas in which BC/Canada is perhaps deficient in its monitoring of trade and investment flows, vis-à-vis Australia, are:

- (1) Service exports (as opposed to merchandise exports)
- (2) Outward investment

Service exports

The revolution in ICT has had a profound impact on the nature, productivity, and tradability of services, resulting in the rapid growth of so-called modern services, including IT, online education, business-related services, data services, call centres, and entertainment production services, etc. These services differ significantly from the traditional services (e.g., hairdressing), which demand face-to-face interaction. It is vitally important to understand the nature and direction of service trade, both in terms of identifying new commercial opportunities for service-oriented economies, such as both Australia and BC, and in relation to understanding the competitive dynamics in high growth regions.

Services account for around one-fifth of global trade and 44% of total employment. One reason for the disparity is that despite recent efforts to improve statistical methodologies, trade on services remains a rather elusive form of activity for economists to monitor and record.³³

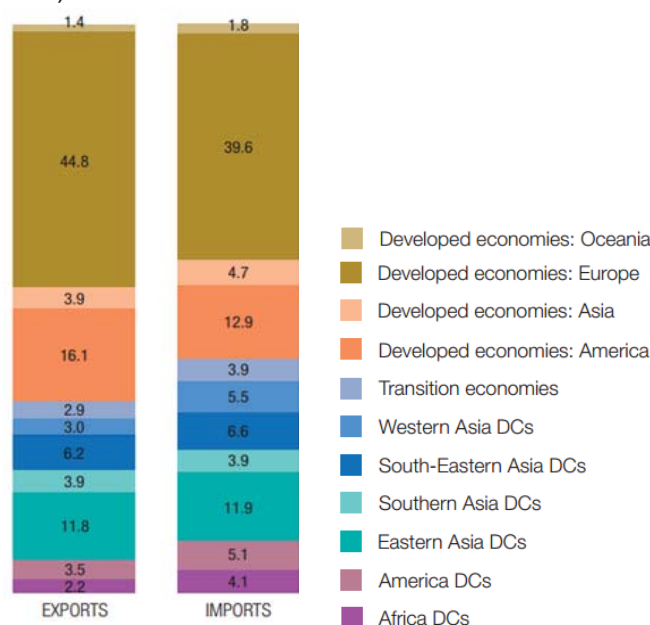
The methodological challenges notwithstanding, Australia provides a detailed assessment of the role of services in trade, at both national and state level. In 2011-12, the value of total trade in services in Australia increased 3.5% to A\$111.4bn. Since 2006-07, total trade values have increased by an average of 2.9% per cent per annum. Total trade in services accounted for 17.8% of Australia's total trade in goods and services. The balance of trade in services recorded a deficit of A\$10.3bn in the same year.

Canadian statistics generally report merchandise trade only. The absence of detailed national or provincial level service trade statistics would be a major weakness, in that BC's strategic priorities may be distorted due to an unbalanced picture of total trade activity.

³³ Services Economy, May 2013, UNCTAD

Distribution of World Trade in Services by Region

2012, % Share



Source: Services Economy, May 2013, UNCTAD

unctad.org/en/PublicationsLibrary/ditctncd2013misc2_en.pdf

Australia's Exports of ICT (A\$ million)

	2009-10	2010-11	2011-12	% share of total	% growth	
					2010-11 to 2011-12	5 year trend
ICT goods	2,098	2,196	2,256	100.0	2.7	-1.5
China	82	100	84	3.7	-16.0	-0.7
Germany	41	60	39	1.7	-35.0	-11.4
Hong Kong (SAR of China)	226	287	314	13.9	9.4	16.8
India	14	22	15	0.7	-31.8	-23.4
Japan	26	29	32	1.4	10.3	3.8
Malaysia	46	49	74	3.3	51.0	22.4
New Zealand	603	638	635	28.1	-0.5	-1.9
Republic of Korea	21	16	31	1.4	93.8	-6.5
Singapore	201	185	208	9.2	12.4	5.8
Taiwan	13	19	17	0.8	-10.5	-10.5
United Kingdom	96	82	70	3.1	-14.6	-5.8
United States	307	277	277	12.3	0.0	-4.0
ASEAN 10	311	272	332	14.7	22.1	7.5
European Union 27	247	263	205	9.1	-22.1	-5.6
ICT services (a)	1,948	1,972	1,932	100.0	-2.0	-2.5
China	20	22	24	1.2	9.1	-11.6
Germany	5	7	4	0.2	-42.9	-14.8
Hong Kong (SAR of China)	68	70	59	3.1	-15.7	-5.7
India	19	36	38	2.0	5.6	16.8
Japan	27	23	29	1.5	26.1	-25.9
Malaysia	26	21	28	1.4	33.3	3.4
New Zealand	131	110	81	4.2	-26.4	-8.9
Republic of Korea	2	6	6	0.3	0.0	-5.2
Singapore	94	66	111	5.7	68.2	5.0
Taiwan	3	3	3	0.2	0.0	-18.9
United Kingdom	77	90	101	5.2	12.2	-1.6
United States	513	427	361	18.7	-15.5	-9.3
ASEAN 10	177	162	232	12.0	43.2	8.3
European Union 27	174	211	254	13.1	20.4	3.4

(a) Excludes *Computer software licences* for all countries except for ASEAN, Singapore and the United States. Based on DFAT STARS database, ABS catalogue 5368.0.55.003/4 & unpublished ABS data.

Source: Trade in Services Asia, 2011-12, DFAT.

www.dfat.gov.au/publications/stats-pubs/trade-in-services-australia-2011-12.pdf

The Australian sources of data for this publication included:

- ABS Balance of Payments Australia
- ABS International Trade in Goods and Services;
- ABS International Trade in Services by Country, by State and by Services Category;
- ABS Tourism Satellite Accounts 2010-11;
- ABS Overseas Arrivals and Departures;
- ABS International Investment Position: Supplementary Statistics, 2011;
- Department of Education, Employment and Workplace Relations – Australian Education International (AEI) Student enrolment data;
- Tourism Research Australia – International Visitors Survey; and
- Department of Immigration and Citizenship – Student visa program.

DFAT's Trade Advocacy and Statistics Section (TSS) produces a range of publications containing detailed information on all aspects of Australia's international trade in goods and services. These are available as pdf files at www.dfat.gov.au/publications/statistics.html.

TSS also provides a consultancy service with the following prepared to customer requirements for a fee:

- Tailor-made reports
 - by country and by commodity
 - monthly, quarterly and for calendar or financial years
- General profiles of economic and social indicators for Australia's trading partners
 - country economic factsheets (180 countries currently available).

More information about the service can be found by visiting the website www.dfat.gov.au/publications/stats.html.

Outward investment

There is an ongoing trend among Australian businesses to move beyond traditional models of exporting to engage in global supply chains, joint ventures, outwards investment, licensing and franchising, as part of their approach to internationalization. For many Australian businesses to become internationally competitive and sustainable it is increasingly necessary that, in addition to expanding their export sales, they are able to gain access to global sources of capital, develop joint-venture opportunities, link into global supply chains and, as necessary, invest offshore.

Austrade does play lip service to its mandated role to support Australian enterprises that want to venture overseas. In practice, this is a very low priority in relation to inward investment and Australian exports. It is simply too politically sensitive to be seen to be assisting the exporting of jobs, no matter how convincing the rationale.

Hence, the role of outward investment in the global engagement plans of individual Australian businesses has changed. As far back as 2007, a Committee for Economic Development of Australia (CEDA) paper noted that Australia's outward foreign direct investment (FDI) was becoming as large as inward FDI. Furthermore, the 2008 Diplomat's Global 100 survey of Australia's top international companies revealed that while Australia's exports grew by just 2.5% in 2007, over the same

period, the foreign earnings of the companies surveyed grew by 15.3%.³⁴ This lends support to the notion that offshore investment is driving substantial growth for Australian businesses.

Austrade Support for Outward Investment³⁵

It is part of Austrade's mandate to help Australian companies invest overseas, including activities such as opening a marketing office, establishing a joint venture, setting up a manufacturing plant, or growing the business from an established offshore investment. Austrade stands ready to assist in one of the following ways:

- With information about markets and industry trends in particular countries or regions, to assist in the development of investment plans or strategies.
- Through introductions to potential international partners, and other contacts.
- By providing referrals to service providers who can give you specialist advice, such as lawyers, business advisors and investment promotion agencies.
- By facilitating access to international governments and other relevant overseas decision-makers in the market.
- Through advice on the process of establishing an overseas business.
- By offering ongoing support, including help in identifying market opportunities, tendering for projects and promoting the business in the market.

A basic level of assistance is available free of charge; tailored services are offered for a fee.

However, while Austrade aims to “assist Australian firms with ‘behind the border’ barriers to trade and outward investment”, the Austrade Annual Report makes no mention of any performance target or performance outcomes with respect to outward investment. By contrast, Invest Australia, the agency responsible for inward and outward investment promotion, would regularly report on the value of outward investment supported by Austrade. (In July 2008, the investment attraction function previously administered by Invest Australia was rolled into Austrade as part of its overall trade facilitation function.) One Austrade Business Development Manager noted that most of Australia big corporations had already established themselves in Asia—one reason why this is not a priority.

The Australian Bureau of Statistics (ABS) provides Balance of Payments data on outward FDI by industry, and separately by country. The following data reveal two key sectors for overseas investment: Mining and Finance & Insurance.

³⁴ www.dfat.gov.au/trade/export_review/submissions_received/Austrade.pdf.

³⁵ www.austrade.gov.au/Outward-Investment/default.aspx

Australian Direct Investment Abroad (A\$ million)

Industry	2008	2009	2010	2011	2012
Agriculture, forestry and fishing	n.p.	n.p.	n.p.	n.p.	n.p.
Mining	-17,130	-43,518	-19,815	-6,441	-12,768
Manufacturing	-8,325	27,683	-4,873	-3,179	2,629
Electricity, gas and water	n.p.	-1,450	-563	-605	-1,145
Construction	n.p.	n.p.	n.p.	-622	-386
Wholesale & Retail trade	233	684	-165	98	-416
Accommodation, cafes, restaurants	n.p.	n.p.	n.p.	n.p.	n.p.
Transport & Communication	n.p.	-1,749	-2,021	162	2,172
Finance and insurance	-19,172	-8,590	-5,857	2,461	-9,139
Property and business services	-2,158	1,035	n.p.	n.p.	n.p.
Other Services	-1,362	n.p.	-1,525	-269	-1,589
Unallocated	9,681	n.p.	n.p.	n.p.	n.p.
Total	-39,762	-26,551	-31,754	-8,557	-16,551

Notes: np = not available for publication.

A positive number indicates a net repatriation of capital.

Source: ABS

Grace Kim, Manager - Financial, Balance Sheets and Improvements confirmed that the Australian Bureau of Statistics does not produce statistics on the international investment position at the state level.

Chapter 10

Service Delivery

In this chapter, the following service delivery issues will be considered:

- Some of Australia's trade and investment services are delivered through a formal program model and on a fee-for-services basis. Has this approach been successful?

Service Delivery – Best Practices

- Austrade has streamlined its service delivery to improve efficiency, including through the introduction of general and tailored services.
- General services are non-charged services under two hours, while tailored services are charged out at a uniform fee of A\$190/hour for service support; the individual States typically do not charge for similar services.
- The service requests are usually highly customized; an attempt to introduce a structured service package failed for this reason.
- The range of tailored services includes: (1) market/country research; (2) partner and customer identification; (3) appointment scheduling and support; (4) follow-up to initial introductions; (5) market promotions.
- Used to using consultants, most of Austrade client's appreciate that these are not-for-profit fees and the value derived from consulting outcomes.

Service delivery on a fee-for-services basis is only for trade services and mainly relates to the services provided by Austrade. The Australian states' trade and investment promotion agencies typically provide most or all of their service support free of charge. Assessing whether charging for services has been successful is challenging, even for the organisation concerned: Austrade has always done so. The perceived benefits are reviewed below. Aspects of the Austrade model (customization, simple process, hourly fee, minimum hours) are the product of many years of trial and error—and can be considered best practices.

Austrade - Tailored Consulting Services

Tailored services are provided for a uniform fee of A\$190 per hour in all overseas markets. Once the client has briefed a Trade Commissioner or Business Development Manager on their company's objectives, a simple service proposal

will be prepared by the Business Development Manager. It includes a fixed fee based on an estimate of the number of hours required to perform the services. While there is no official minimum number of hours, assignments would not normally be less than five hours and would typically average 5-20 hours (A\$1,000-4,000).

Previously there was an attempt by Austrade to introduce more structured service packages for tailored services for market-entry and expansion assistance, but the initiative was abandoned because the support required was invariably highly customised. Currently, the types of request for which a fee may be charged include³⁶:

Market or country research – Help with specific export issues such as gathering data on market trends and statistics, identifying market barriers and regulations, assessing market potential or gathering information and advice on the suitability of a product or service. This is accomplished with reference to Austrade and third-party databases, information resources and local networks to gather primary and secondary information and market intelligence.

Potential partner and customer identification – Help identifying local contacts in overseas markets that can import, distribute or support products/service in market. This is done by researching key market players, competitors and other contacts to identify the industry structure and in consultation with the client, approach those that best meet a company's criteria and introduce the product/service.

Appointments during visit – Once potential partners or customers are identified, with sufficient notice, Austrade will set up a visit program to maximise the time in-market. Austrade can approach specified contacts and set up appointments. In some markets, Austrade staff may be able to join in the meetings and/or provide language support.

Follow-up to initial introductions – After a market visit or an introduction via a trade opportunity, companies may want Austrade to follow-up with the local contacts to gather feedback on the products or services and/or the potential fit for business partnering. Austrade can then advise the real potential with specific customers and help determine next steps.

Market promotions – Companies that choose to participate in offshore marketing activities such as overseas exhibitions or trade missions organised by Austrade, state or territory governments or in-market event companies, can ask Austrade to facilitate introductions to potential business partners overseas.

One of the reasons for charging a fee, as opposed to providing the service free-of-charge, is to establish proof of seriousness on the part of the client. It is carefully explained to the client that the service fee is calculated on a not-for-profit basis and where possible, Austrade will direct companies to resources so that they conduct the research themselves.

³⁶ Austrade

Initially there was some resistance to paying a tax-funded government agency consulting fees. However, the vast majority of Austrade clients is quite used to paying for professional services and appreciates the work provided. Moreover, many would also receive financial support through the offices of Austrade (see below).

While the provision of this service is not an official KPI for individual Business Development Managers at Austrade, there is an expectation that 20-25% of an officer's time would be spent on this activity. According to David Landers, Austrade GM for International operations: "everyone in operations supports the policy of charging out hours."

Austrade has streamlined its service delivery to improve efficiency, including through the introduction of general and tailored services (and the greater use of online channels). General services are non-charged services under two hours, while tailored services are charged services of two hours or more.

Tailored services for exporters are not always available in markets where language and cultural barriers are minimal. Austrade will, upon request, refer companies to other organizations that can help in the development of market plans.

Financial Support Mechanisms

Austrade provides financial assistance to individual companies and member-based organisations to improve Australian business links in Asia. Two relevant schemes are the Export Market Development Grants and the Asian Business Engagement (ABE) Plan.

Export Market Development Grants

The Export Market Development Grants (EMDG) scheme is the only federal government financial support provided to exporters. Australian states with divergent industry priorities have their own financial support schemes. It targets both aspiring and current exporters. Administered by Austrade, the scheme supports a wide range of industry sectors and products, including inbound tourism and the export of intellectual property and know-how outside Australia.

The EMDG scheme:

- encourages SMEs to develop export markets
- reimburses up to 50% of eligible export promotion expenses above A\$10,000 provided that the total expenses are at least A\$20,000
- provides up to seven grants to each eligible applicant

The scheme favours exporters to East Asian, emerging and frontier markets in Asia and allows a higher maximum number of grants for these markets (8), versus only five (5) grants to exporters to the US, Canada and the EU.

■ Case Study

Providore Group Pty Ltd uses EMDG assistance to access Asian markets

The Export Market Development Grants (EMDG) assistance provided to Providore Group Pty Ltd aided the growth of its export markets. The Providore Group is the marketing and sales arm of the Fresh Cheese Company Pty Ltd and Montana Food Services Pty Ltd. Products include cheeses, yoghurt, dips, pesto, antipasto, salsas, pasta sauces, mayonnaises, stir fry mixes and vinegars.

Jaycroix Cheese is a division of the Fresh Cheese Company. Located on Sydney's northern beaches, Jaycroix Cheese manufactures a range of 20 different flavours of cream cheese products. These products have proven to be popular, not only in the domestic Australian market, but also throughout north and south Asia, the sub-continent and the Middle East.

Marketing Manager, Mr Fernando Machado, said "The assistance provided to us by Austrade in the form of the Export Market Development Grants (EMDG) has been invaluable in aiding the growth of our international sales by way of financial support for trade missions and critical destination market research."

In 2010-11, the Providore Group achieved more than A\$20m in domestic sales and A\$1.4m in export sales to over 25 countries in north-east and Southeast Asia, the subcontinent and the Pacific

Asian Business Engagement Plan

Austrade administers the Asian Business Engagement (ABE) Plan, which was announced as part of the *Australia in the Asian Century White Paper*. It runs annually, starting in July 2013. The program was established to help member-based business organisations harness commercial opportunities in Asia for SMEs. Under the Plan, eligible applicants can receive A\$20,000-300,000 in grants. These grants are merit-based and competitive.

The objective of the ABE Plan is to facilitate new initiatives to improve Australian business links into Asia through Australian business organisations based in Australia or in Asia. The key goals of the ABE Plan are to leverage and / or expand the capability of member-based business groups to:

- assist Australian firms to more effectively access in-market business networks and develop new relationships with potential business contacts and partners in Asian countries
- identify and secure opportunities for Australian firms to compete and succeed in regional value chains
- enhance and strengthen business links between Australia and Asia by reinforcing the profile of Australian business capability within the region to increase awareness and understanding of Australia in Asia, and of Asia in Australia.

ABE Plan grants are intended to provide partial funding to member-based business organisations to deliver new projects or programs aimed at achieving the objective

and goals of the ABE Plan. This includes projects or programs that demonstrate the potential for the development of long-term links between institutions in Australia and their counterparts in Asia. In the financial year 2013-14, 27 organisations were awarded grants, with total funding of around A\$2.3 million.

Organisation	Project Description	A\$ Funding
Neurosciences Victoria Ltd	Marketing initiative to India promoting Australian innovation focused on Victoria's leading neuroscience, neurology and psychiatry capabilities.	185,454
TAFE Directors Australia	Analysis of offshore business models on what factors assist or inhibit the success of particular models in Asia (India, China). Outcomes to provide guidance to education exporters on how to respond to market opportunities and suitable market entry strategies.	75,000
Chamber of Commerce and Industry of W. Australia	A structured learning program in the Chinese market for ASX-listed companies aimed at increasing knowledge and understanding of Chinese business and culture.	50,000
AustCham Singapore	Establish 'Access Asia' – an on-line platform to promote business networking and knowledge sharing for the Australian business community in Asia and those looking to connect with it.	44,274
Clean Energy Council	Increase engagement of the Australian clean energy industry in Asia and help to build Asia-literate businesses through market analysis, industry promotion, building strategic partnerships and developing Asia-relevant capabilities.	181,000
HunterNet Co-Operative Limited	Harness opportunities in China and Indonesia for the coal mining industry by developing business networks, identifying and securing opportunities to compete and succeed in regional value chains and reinforce business capabilities within the region.	180,000
Australian Chamber of Commerce Hong Kong & Macau	Strengthen Australian business links in the region by devising a business matching program, providing newcomers with key market information and specific company guidance.	80,000
AusBiotech	Improve the Australian medical devices and diagnostics industry sector's links with Asia by researching and creating intellectual resources to support companies to protect their IP.	143,000
International Education Association of Australia (IEAA)	Hold a symposium targeted to Australian and Asian education providers with the aim of strengthening partnerships and paving the way for long-term, sustainable education opportunities in Asia.	60,000
Federation of Automotive Products Manufacturers	A mission by automotive component suppliers to Indonesia and Malaysia to build networks, promote sector capabilities and understand how the industry can access global supply chains.	40,000
Australian Indonesian Business Council Ltd	Strengthen high level business engagement with Indonesian business and government across sectors of growth.	60,000
AIMEX	Develop and create awareness of capability in the Australian super yacht sector in selected Asian countries through the development of a future engagement strategy and defined opportunities for market entry.	40,000
Toowoomba and Surat Basin Enterprise Pty Ltd	Position the Darling Downs and Surat Basin region to capitalise on growing demand for protein foods into China by identifying export opportunities and utilising regional value chains.	100,000
waterAUSTRALIA Solutions Ltd	Support innovative water technology SMEs to engage with Chinese business and government, to gain market access into China's water resources management sector.	102,000
Austmine Limited	Austmine's ' Australasian Smart Mining Network' will link small and medium mining equipment, technology and services enterprises to mining opportunities and contacts in Asia.	70,000
Australia–Malaysia Business Council	The Australia–Malaysia Business Council will work with the Malaysia Australia Business Council to produce a comprehensive Industry Analysis focused on key priority sectors of the Malaysia Australia Free Trade Agreement (MAFTA).	44,000

Source: Austrade

Chapter 11

Public Champions

In this chapter, the following issues will be considered:

- What is the role of the Prime Minister, state Premiers and other high-level officials such as Ministers in promoting trade and investment?
- Is there a role for senior business leaders in promoting trade and investment?
- How are these roles coordinated?

Public Champions – Best Practices

- Australia not only recognises the importance of public sector champions, but actually prioritises those markets in which public champions have the most weight and influence.
- Both the States and federal government use ministerial-level delegations frequently, reportedly with significant success in terms of market access.
- Multiple State Ministers travelling together on so-called Super Trade Missions can help create a greater impression and generate more interest.
- The presence of senior public champions is used to raise private sector participation—some business leaders also want to gain proximity to their own ministers.
- The promotion of ‘celebrity CEOs’, leaders of internationally-renowned companies, does not appear to be a current practice for Austrade or States.
- Austrade has successfully co-opted businesspeople to present at networking events on Australia’s broader commercial attractions.

Australia prioritises those markets subject to business impediments (see Chapter 3, Strategic Priorities) including countries with the following characteristics and traits that are commonplace in many of Asia’s markets:

- a) Markets in which government plays a significant role in the economy—on the assumption that market failure will be strongest in these locations
- b) Markets in which “the value of the ‘badge of government’ is highest”

Hence, Australia not only recognises the importance of public sector champions, but actually prioritises those markets in which public champions are received to have the most weight and influence. Austrade in particular, allocates more resources to countries in which the engagement of government and public champions is deemed to be most useful in accessing the local market.

The Role of Senior Officials

DFAT and Austrade provide support to federal ministerial visits overseas, the respective state promotion agencies do likewise for their premiers and ministers.

The official goal of overseas visits by government ministers is to help advance Australia's diplomatic and economic interests and promote the international competitiveness of Australian businesses. In Asia, government ministers are uniquely placed to have influence at the highest level. The more senior the agency, and federal is superior to provincial/state level, and the more senior the position, premier versus minister for example, the better—at least in terms of federal government access. Austrade officials reported that state ministers may erroneously believe that their position will command the same leverage as federal ministers, which can lead to scheduling problems.

Unlike federal ministers who must represent all of Australia, an advantage of state level ministers as public champions is that they can be positioned as individual decision makers, persons who can directly facilitate business opportunities in their respective states.

On balance, there is a strong consensus among the state and federal agencies that the net benefit of senior government officials leading trade and investment missions is very positive. In the words of Austrade's David Landers, GM – international operations:

Our Senior Trade Managers complain when there are no ministerial visits, and then complain about the work load when there are too many. It is our strong view that public champions are a huge business catalyst, although there is sometime too high a concentration of mission to a particular country, perceived as hot.

City-level public champions

It was suggested that public champions at the city level may be able to achieve more than state-level champions, particularly where the city has a strong international profile. The city of Sydney (Olympic host city), for example, is far more familiar in Asia than New South Wales and Invest NSW relies more on the city brand. Moreover, trade and investment delegations invariably visit major gateway cities. Many of these have powerful municipal governments, will better appreciate issues at the city level and will more likely want to be associated with an another international city, such as Vancouver.

There are benefits to promoting a city. Cities are easier to sell. The mayor of Vancouver may well carry more weight [than the state level equivalent], especially if tourism is one of the objectives. (ex-regional director, Austrade)

Repeat performances

One effective approach for Australia has been to launch and perfect coordinated annual series of events to showcase innovation, technology, products and business capabilities. Examples of these annual events are G'Day USA, Oz Fest (India) and Cheers Australia (China).

Of course, government visits at the federal or state level should be carefully scheduled. One anecdote, by a senior government promotion official, noted that trade missions to South Korea's capital Seoul had become so frequent, that government workers were having to replace the flags of welcome almost as the motorcade sped past.

Victoria State's experience suggests that multiple Ministers travelling together on so-called Super Trade Missions can help create a greater impression –and is worth the risk of possible public/media criticism of 'public sector junkets.'

G'Day USA and Cheers Australia

Now in its eleventh year, the **G'Day USA** initiative is a high profile annual series of events in major cities across the US. Over 200 Australian companies and more than 450 US companies participate each year. The likes of Cate Blanchette and Naomi Watts added star power. In January 2014, Trade and Investment Minister, Andrew Robb made keynote addresses at several G'Day USA events including:

- A Tourism Australia summit in Los Angeles, highlighted opportunities in Australia for US tourism companies
- The US-Australian Dialogue on Water in Los Angeles
- The US-Australian Dialogue: Partners in the Asia-Pacific, in Los Angeles; and
- The Innovation and Digital Economy event in San Francisco.

The Minister also used the occasion to launch the annual 2014 Austrade Benchmark Report (see also Chapter 7 – International Marketing).

Cheers Australia last held in November 2013, is a China 2nd Tier Cities Road Show and series of wine tasting events, linking Australian wine companies with targeted importers, distributors, traders and corporate buyers, as well as hotel and restaurant owners in China. The 2013 trade mission included Changsha, Wuhan, Xi'an and Chengdu. In addition to wine tastings, a trade seminar in each city featured an in-market briefing and the opportunity for business networking between Australian exhibitors and important wine industry players, including key buyers and local media.

The Role of Senior Business Leaders

Australian Business delegations often accompany State Ministers on overseas visits. The previous federal government did not place much emphasis on businessmen travelling with government missions. According to Austrade, these business delegations typically fall into one of three types:

- A small group of senior Australian business leaders, accompanying a Prime Minister or Minister on a short visit to just one or two locations.

Aims: To facilitate connections to high level government contacts and foreign business leaders.

- A larger group of business leaders from a specific industry or sector, accompanying a Minister, senior Government official or industry leader.

Aims: To provide opportunities to explore new markets, network with peers and identify potential business partners.

- A large group of Australian business representatives, accompanying a Minister to a single market.

Aims: To provide an opportunity to become familiar with a new market.

Business leaders are invited to express their interest in joining these delegations on Austrade's website and to complete a form with the following information:

- Organisation (location, industry, etc.)
- Objectives (enter new export markets, expand operations offshore, seek foreign investment, promote Australian education)
- Market of interest (Central Asia, North East Asia, South Asia, South East Asia)

Selected participants are expected to meet their own costs.

The promotion of 'celebrity CEOs', leaders of internationally-renowned companies, does not appear to be a current practice for Austrade or States. Nor are they specifically co-opted for the purpose of trade and investment promotion beyond their own company's commercial interests.

Academic achievers

That academic achievement is highly valued in the Asia context is self-evident. It is therefore not surprising that the academic community is also held in higher esteem than in Australia for example. Such academic linkages may also be useful.

Coordination of Roles

The coordination of roles appears to be ad hoc and more at an operational rather than strategic level.

In relation to coordination of trade missions, one ex-Regional Austrade Director lamented:

This is hopeless, coordination is a big problem. Too often the decision is political or based on ministerial whim, such as escaping the summer heat. Visits by multiple states days after each other really demans all concerned.

Sally Deane, Manager, East Asian Growth Markets for Austrade concurred: "In an ideal world, the state and federal trade missions would be coordinated—but in reality this rarely happens. This is on the SOTIG agenda, we are hoping for at least early notification of government missions".

Chapter 12

Federal-State Partnership

In this chapter, the following Federal-State Partnership issues will be considered:

- How do the federal and state governments work together to promote trade and investment?
- Are formal mechanisms such as Memoranda of Understanding and cost-sharing delivery models used to govern these relationships?
- Do state government initiatives align with or leverage activities at the federal level?
- Are there any state trade and investment initiatives that have been particularly successful?

Federal-State Partnership – Best Practices

- Effective contribution to whole-of-government policy is a specific performance measure for Austrade.
- An agreed state-federal alignment of sector priorities serves to coordinate promotion activity. Outside these sectors, the States are not required to respond to investment leads provided by Austrade, and Austrade itself is only committed to facilitation rather than promotion.
- The most important coordination mechanism is the Investment Lead Protocol, which outlines how Austrade interacts with the States and Territories to share the investment leads on an impartial basis.
- High level, federal-state joint committees have been established to coordinate trade and investment promotion policy and operations.
- Mutual training courses/workshops and (some) shared resources and databases align interests and practices.
- South Australia and NSW trade and investment promotion agencies co-locate with Austrade in a number of High Commissions and Embassies.
- Successful/innovative State initiatives include: Super Trade Missions to priority markets, an e-trade portal for SMEs in Japan, a membership shared-office for new entrants and an 'Export Lab'.

Austrade works closely with state and territory governments both in Australia and overseas, and provides assistance to state/territory government missions overseas—where there is strong business delegation.

Cooperative Approach

Given Austrade’s new role as an integrated trade and investment agency it has been assigned the lead federal agency for Australia’s whole-of-government approach to investment promotion and attraction. Effective contribution to whole-of-government policy is a specific performance measure for Austrade (along with developing international markets and trade, marketing Australian education internationally, attracting productive FDI, promoting Australia internationally, etc.).

There are long-established mechanisms through which collaboration and coordination has occurred. In relation to export and international trade, the overarching coordination mechanism between the Commonwealth and State / Territory governments is the Ministerial Council for International Trade (MCIT) reporting to the Council of Australian Governments (COAG). COAG is the peak intergovernmental forum in Australia. It consists of the federal government, the governments of the six states and two mainland territories and the Australian Local Government Association. The members of COAG are the respective premiers and chief ministers and the president of the Australian Local Government Association. COAG differs from Canada's Council of the Federation (CCF), because CCF only includes provincial representatives, whereas COAG includes federal and local representatives.

Through the MCIT and the National Investment Advisory Board (NIAB) the Commonwealth and state/territory governments work together to strategically target inward investment to supplement capability and capacity gaps that impact on export success.

To this end, Austrade engages with the state and territory governments to develop shared trade and investment initiatives through the following committees:

- the Senior Officials Trade and Investment Group (SOTIG),
- the National Investment Advisory Board (NIAB), and
- the National Trade Development Working Group

Senior Officials Trade and Investment Group

The Senior Officials Trade and Investment Group (SOTIG) was established in April 2012 and meets twice a year. SOTIG aims to grow Australia’s trade and investment by improving coordination and collaboration between the Australian Government and state and territory governments—a ‘Team Australia’ approach. It provides strategic direction to the operationally focused National Investment Advisory Board and the National Trade Development Working Group.

Initiatives from the newly-formed SOTIG have included capability building and skills set sharing; an agreement on investment priorities; agreement on principles for employing state and territory specialist business development managers for trade, education and investment purposes at Austrade offices

offshore; commitment to pilot a ‘Team Australia’ branding approach to international promotional activities; and steps to better align trade activities through more transparent planning processes.

National Investment Advisory Board

In relation to investment attraction, the main coordination mechanism is the National Investment Advisory Board (NIAB) which operates as a steering group for coordination of investment attraction activities across jurisdictions. It is chaired by Austrade and comprises heads of state and territory investment agencies.

National Trade Development Working Group

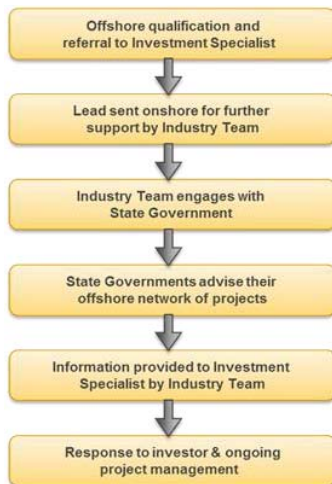
The National Trade Development Working Group (NTDWG) coordinates federal and individual state and territory promotion and facilitation of trade and advises on matters of trade policy.

Formal Agreements & Cost Sharing

An agreed state-federal alignment of sector priorities serves to coordinate promotion activity. Outside these sectors, the States are not required to respond to investment leads provided by Austrade, and Austrade itself is only committed to facilitation rather than promotion. (Recall, as previously discussed in Chapter 3, a capability assessment by the Federal and State Governments confirmed four national sector priorities: (1) major infrastructure projects, (2) tourism infrastructure, (3) innovation, (4) clean energy; and three multi-state sector priorities: (1) Agribusiness, and food technology and services, (2) Digital economy, (3) Resources technology and services.)

The arrangements for cooperation between State and Commonwealth are prescribed by a series of protocols, Memoranda of Understanding (MOUs), and high-level committees. Unfortunately, neither the States nor Austrade could produce and detail written statements concerning these arrangements.

Investment Protocol



Protocols: Commonwealth/State guidelines, investment leads (see adjacent figure) and site visit protocols. Both the States and Austrade confirmed that these protocols are subject to some flexibility based upon individual in-market relationships (between Austrade and a State trade and investment promotion authority).

MOUs: DFAT, NSW/South Australia representation

MOUs largely concern the regional and bilateral trade and investment negotiations conducted by the Department of Foreign Affairs and Trade. The MOUs on Austrade/State agency cooperation, including cost sharing, are not made public.

Committees

Commonwealth/State: SOTIG, NIAB, MCIT, etc.
Commonwealth/State/industry: COAG

A 2008 review concluded that although participants largely consider these forums effective, stakeholders have suggested that coordination could be enhanced,

particularly in developing broader trade and investment policy priorities and in joint planning of trade and investment development activities.³⁷

Cost Sharing

South Australia and NSW's trade and investment promotion agencies co-locate with Austrade in a number of High Commissions and Embassies. The main rationale is cost sharing—a means to reduce overheads, especially in Tier 2 and Tier 3 locations. These arrangements appear to be sensitive and Austrade was not forthcoming on the details of the MOU. NSW Trade and Investment is co-located with Austrade in Shanghai and Mumbai.

David Landers, GM – International Markets, noted that Austrade is talking to other States about similar arrangements. However, there is some concern that co-locating with some, but not all, state trade and investment promotion agencies may undermine Austrade's principle of strict neutrality.

Alignment and Leverage

A review of state and federal alignment, included in the *Winning in World Markets* review of export policies and programs concluded that the cases of overlap (e.g. multiple offices in the same city) and inconsistency (fee versus paid services) are relatively minor and do not diminish overall performance. The review recognised varying circumstances in each State and acknowledged that the state agencies are delivering positive results, and have stakeholder support. Nevertheless, the Review did see evidence of the overlap of programs and services

While inefficiencies are inevitable and companies are often confused by the various state and federal financial support and service offerings, which create an administrative burden, enhanced competition among the States and even between the States and Commonwealth (Austrade) is considered beneficial in terms of trade and investment outcomes. The State of Victoria explained that, absent federal status and embassy logo, the State agencies need to be more relevant, and more responsive than Austrade. Their other natural advantage is a much deeper understanding of the commercial environment of their own State.

There some obvious misalignments in terms of branding. The massive 'Australia Unlimited' branding initiative has not been embraced by the States and appears nowhere on their materials.

Operational coordination

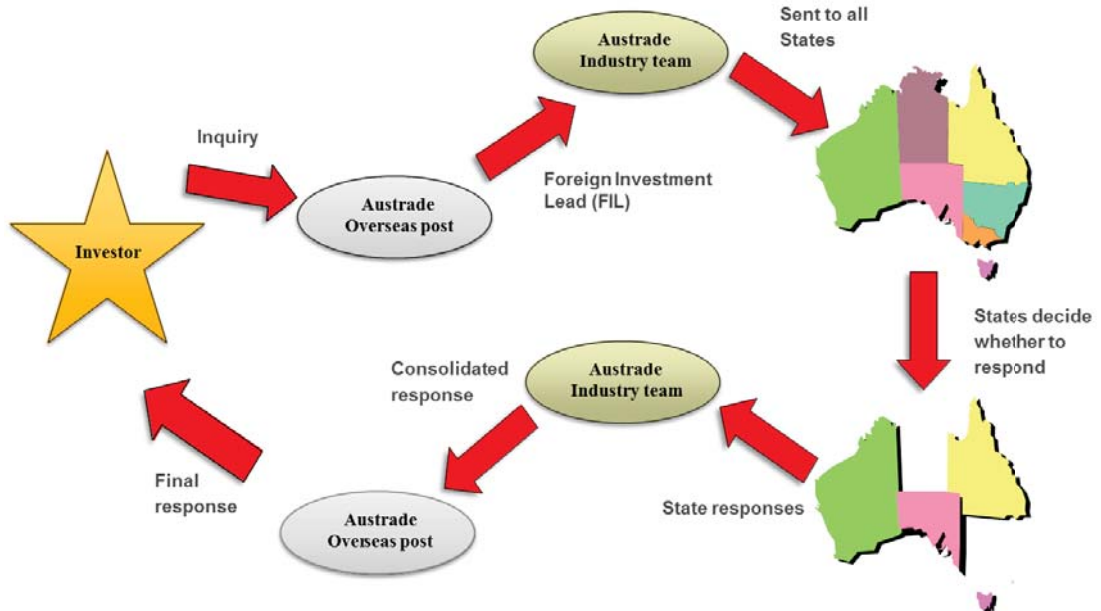
On an operational basis, one of the most important coordination mechanisms is the Investment Lead Protocols, which outlines how Austrade interacts with the States and Territories to share the investment leads, which it develops or receives.

The basic principle underlying these procedures is to give all States and territories the opportunity to put their case to foreign investors that Austrade comes into contact with. But the system will only work if people play by the rules. Trying to get the jump on another state by contacting the client directly, for example, will not only confuse the investor, it will undermine everyone's trust in and willingness to use the system – and could disadvantage the offending state next time.

³⁷ *Winning in World Markets*, Commonwealth of Australia, 2008

On occasion, the States will find this process cumbersome and frustrating. There is an inevitable delay in gathering and consolidating the States’ responses and states that have an office in the source city and/or an existing relationship may try to jump the gun and work around the protocol. Success in this regard depends upon the flexibility of individual Austrade managers in-market.

Australia’s Foreign Investment Lead (FIL) Protocol



Source: Unpublished Austrade Report, Dec 2011.

Training courses and workshops

Austrade delivers the national flagship capability development program, Winning Investment for Australia (under the auspices of the NIAB). In 2012-13, 14 Austrade staff, 19 state and territory staff and seven staff from other Australian Government agencies graduated from the Winning Investment for Australia program. Industry /sectorial workshops are also delivered.

Reporting and databases

Agreements are in place to share some information and success stories. However, The all-important Relationship Management Systems of Austrade and the States are not integrated. The States have their own CRM systems, usually based on modified off-the shelf software.

Successful State Initiatives

The success, or lack thereof, of various initiatives may reflect an individual State’s resources and organisation rather than the concept. Objective measurement of the success may also be lacking. Nonetheless, the following are some examples of recent successful Australian State initiatives to promote trade and investment.

*State Government of Victoria***■ Super Trade Missions**

Victoria State's Super Trade Missions—to be called such they must have a contingent of more than 100 companies—were considered to be a highly effective means of trade and investment lead generation.

A 2013 Super Trade Mission to ASEAN included over 300 delegates, the main stops being Indonesia, Malaysia and Singapore. Vietnam was included as a side option for education institutions, and the Philippines for agrifood companies. The 2012 Victorian Super Trade Mission to China was according to the State the largest trade mission to ever leave Australian shores with more than 600 delegates, representing approximately 400 organisations across 12 industry groups. 42% of the delegates were visiting China for the first time.³⁸

Although a logistical nightmare, the sheer size of these missions generates a great deal of publicity and huge awareness. This is important because many countries in Asia are more familiar with the city of Melbourne, and perhaps even some of its universities, than the State of Victoria and what it represents. To assist with the high corporate turnout, the State offers a grant of A\$3,000 per firm for these Super Trade Missions and the same companies could also apply for the Austrade administered EMDG funding.

Accepting the grant obliges the companies to complete an Expected Outcome form, projecting the commercial benefit of the meetings arranged over the next 24 months. For the recent ASEAN Mission, over 90% of the companies were reported to have completed the feedback forms, projecting a total of A\$232m in new or additional exports.

*Queensland***■ Use of Third Parties in Japan**

For Queensland companies that have visited Japan a few times and established that there are tangible opportunities for their product/services, the next step is to have a Tokyo address, to signal commitment and credibility. For many companies just entering the market, the cost of Tokyo office rent and an office manager are prohibitive. Although Trade and Investment Queensland (TIQ) in Tokyo has a seminar room which can be used by its clients, the Commissioner saw a gap in TIQ's support. In February 2013, at his instigation, the Queensland Business Centre was opened. It is a membership shared-office in the centre of Tokyo's "Kamiyacho" for Queenslanders from any type of business or organisation. Member tenants can run their business based in Japan, with a physical or virtual office.

Another initiative, still in the planning stages, is a Queensland B2C e-commerce portal. For small volume exporters, it is hard to justify the effort to find an import agent to navigate the hugely complex distribution system in Japan. For these smaller enterprises, it may be helpful to establish a third party e-commerce portal to show case their product and deliver direct to the end user.

³⁸ www.invest.vic.gov.au/

New South Wales

■ **Export Lab**

The NSW Export Lab is a program that brings NSW exporters together to examine exporting "under the microscope" and to drive export success. The program is for export-ready business operators, open to new ideas and keen to grow their international business. The forums challenge 50 participants' thinking about the export process.

The NSW Export Lab events alternate between two themes:

(a) export skills builders. Expert panels explore the political, financial, cultural and other aspects of doing business in a specific market. The sessions are conducted in an interactive "Q&A" style format.

(b) market knowledge builders. Expert panels tackle hypothetical export problems, ranging from market entry strategies to ethics in export.

The sessions encourage a high level of participation to maximise opportunities for learning from other exporters' experiences. NSW Export Lab events are free of charge and are held monthly.

NSW Trade & Investment - Export Lab Series 2013 EXPORTING TO JAPAN (EXAMPLE FINDINGS)

Japan is Australia's second-largest export market. With a population of 128m and some of the highest levels of disposable income in the world, it remains a critically important export market for NSW. Top tips:

1. Product packaging is crucial in Japan. Research the types of packaging your customers will like. To understand the packaging of your competitors, it may be worth visiting Japan.
2. When preparing to launch a product in the Japanese market, find out who your main competitors are and the price points of their products. It may help to commission a market report.
3. Will your product appeal to the Japanese market? Japanese consumers love brands that have a personality, that look different or quirky, or that have an interesting story.
4. Relationships are important for doing business in Japan, so cold calling will often fail to gain the desired results. If you haven't developed any relationships yet, you can meet potential business contacts through Austrade.
5. Before signing with a distributor, check which markets they successfully sell to. Ideally, they have a track-record of at least five years. To find a good distributor, you can use trade offices such as the Australian embassy. Trade expos are large and vibrant forums in Japan, and can be good places to meet potential distributors.
6. Provide as much detail as you can about your product in a form that is clear in Japanese. When selling to a large company, your product may have to go through many layers of approval, so it is important to provide as much detail as possible and to be able to respond to questions.
7. To overcome the language barrier, get business cards with your details written in Japanese on one side and English on the other side. Have your product brochures printed in Japanese. For important meetings, bring an effective translator – Austrade can introduce you to a competent translator.

8. Tokyo is a competitive market. The smaller cities still have very large markets and might provide an easier entry into the Japanese market. Other ways to enter the Japanese market include selling to the large Japanese department stores in Asia.

Chapter 13

Overseas Diaspora

In this chapter, the following strategic planning related issues will be considered:

- Does Australia have a specific strategy for leveraging connections between Australian residents from Asian countries of origin and their home countries in order to promote trade and investment?
- If so, how effective have these efforts been?

Overseas Diaspora – Best Practices

- Even if Asian nationals reside permanently overseas, they tend to maintain close professional and personal links with their mother country, creating knowledge and business networks. Reportedly, Australian banks have tried to exploit these linkages, with some success.
- Individuals residing in Australia under the new Significant Investor Visa scheme provide an easily identifiable group of targets. While still at an early stage for best practices to evolve—the government is hoping to nurture reinvestment post-migration.
- The more significant opportunity, according to state and federal investment agencies, is engagement with the many Asians who have studied in Australian schools and tertiary institutions then returned to their home countries. Australia is rallying these groups using awards ceremonies, in-market seminars and networking events.
- State-level social/business networks, including Asian alumni, prior Asian residents and Australian expatriates has proven to be useful in expanding networks.
- Australians living abroad is another network that can be tapped. States are including these groups in their alumni and “friends of Victoria, NSW, etc. networks.”

----- Other key issues

- Australia does not have a coordinated strategy for leveraging connections between Australian residents from Asian countries of origin and their home countries—neither at the state nor federal level.

Leveraging the Asian Diaspora in Australia

The large Asian (notably Chinese) diaspora in Australia plays an important role in facilitating business, cultural and education connections, while bringing an understanding of Asia/China to Australian communities.

The changes in the ethnic and cultural composition of Australia that have occurred in the space of the most recent generation and a half are as big as those wrought in Canada over three generations.³⁹ And, as in Canada, some states are more multicultural than others. The State of Victoria reports 40,000 residents of Malaysian origin in Melbourne alone.⁴⁰

More people from Asian countries live, study and work in Australia than ever before. Of the five million overseas-born people living in Australia, almost two million were born in Asia—an increase from 276,000 in 1981. Close to 1 in 10 of Australia's population identifies with Asian ancestry. Today, there are more speakers of Chinese languages in Australia than speakers of Italian or Greek. In 2010-11, for the first time in Australian history, Britain was not the main source of permanent residents—more people moved to Australia from China than from any other country, and in 2011-12, India was the number one source of permanent migrants.

Many of these first and second generation immigrants will develop business advisory services, seeking to leverage their knowledge and networks in Asia. They have natural advantages being both bilingual and bicultural; “they understand cricket and celebrate Tet”, said one state representative.

Neither Austrade nor any of the state trade and investment development agencies, have a coordinated strategy for leveraging connections between Australian residents from Asian countries of origin and their home countries. The reasons for the apparent under-utilisation of this asset not entirely unclear, but one view from the ANU School of Business suggests a disconnect between the business communities ...

The ‘Anglo’ and the ‘Asian’ business communities seem to operate quite separately, a situation exacerbated by questions of scale and sectorial focus. Mining and resources tend to be Anglo-centric, while the more vibrant SME-scale trade/investment goes on across borders with extreme fluidity through transnational Asian business community networks, largely below the radar screen.

There may also be an issue of residual racism:

This may be due to residual racism in the Australian community. A recent TV documentary noted how Australians of Asian descent are regularly asked ‘Where do you come from?’ and when they say ‘Sydney’ are then asked, ‘No, but ORIGINALLY...?’ whereas in the US, for instance, no-one thinks to ask an Asian American that question. An important piece of unfinished business for this country.

³⁹ Australian Multiculturalism for a New Century: Towards Inclusiveness, National Multicultural Advisory Council, 1999

⁴⁰ State Government of Victoria

Trade and promotion agencies acknowledge that Australian residents from Asian countries of origin may be useful to include in trade and development networks, but advise caution. Co-opting these recent immigrants can be a “two-edge sword”. Some, but not all, of these entrepreneurial individuals may want something in return for access to their connections and networks into Asia, a quid pro quo that may raise governance issues. Reportedly, some Australian banks have tried to exploit these linkages for their own purposes, with some success. Westpac Bank has held workshops with recent Chinese migrants on becoming exporters.

Significant Investor Visa scheme

This new initiative is aimed at attracting Asia’s affluent to move to Australia. A\$5 million must be invested in state and territory Australian government debt, privately-owned Australian companies and managed funds that invest in Australian assets regulated by the Australian Securities & Investment Commission for four years. The assumption is that many of these persons will bring in additional investible funds. Victoria State is hiring new managers for overseas posting that will be dedicated to this scheme. They will be obvious targets for leveraging networks back in Asia. (If an applicant chooses to invest in a private company, the company must have provided the applicant with a detailed business plan and state the economic benefit that will be delivered to the State economy as a result of the applicant’s proposed investment.)

Asian Alumni

Many Australian-educated Asian alumni hold prominent positions in government and public sectors; others are top-level professionals managing privately-owned businesses. There is broad consensus among Australian trade and investment promotion professionals that Australia’s Asian alumni are the most powerful resource in gaining access higher echelons of governments in Asia as well as C-suite Asian businesspeople.

Austrade and the state trade and investment promotion agencies engage with Australian alumni in multiple ways. Most importantly, they try to trace and capture as many of these persons now in prominent positions, including them in their CRM systems. The Commissioner for State Government of Victoria for SE Asia explains the benefits of friends in high places:

Asia is very hierarchical—both in business and in government—and it is most important to engage with the right level of decision maker. When approaching government departments in Singapore for a meeting, the response is often a blizzard of questions asking for justification for the request, if the meeting facilitator is an alumnus the process is much easier.

Austrade also runs seminars to engage with returned alumni. For example, ‘Entrepreneurship: Develop the Skills to Start Your Own Business’ was organised for the Indonesian female alumni of 22 Australian institutions in 2013. The initiative was the first event in the annual Professional Development Seminar Series for Indonesian women that have graduated from Australian institutions. The aim is to develop the event into a regular networking activity for the alumni community in Jakarta and serve as a way to promote Australian education institutions in Indonesia. It is estimated there are between 30,000 and 40,000 Australian alumni in Indonesia with various education backgrounds.

Another Austrade initiative is a country series of Alumni awards given annually to eminent persons with Australian educational qualifications. According to one ex-Regional Director, this is a very successful event, although for some markets such as Singapore, the pool of potential award winners makes it more difficult to choose finalists.

Indonesia Australian Alumni Awards 2012 Winners

- Distinguished Alumni Award

The winner: H.E. Dr Mari Pangestu, Minister for Tourism and Creative Economy (formerly Minister for Trade) and graduate of Australian National University.

- Inspirational Alumni Award
- Australian Alumni Award For Excellence In Education
- Australian Alumni Award For Excellence In Research And Innovation
- Australian Alumni Award For Sustainable Economic And Social Development
- Australian Alumni Award For Excellence In Media, Culture And The Arts
- Australian Alumni Award For Excellence In National Defence
- Australian Alumni Award For Excellence In National Security
- Australian Alumni Award For Outstanding Contribution To Public Administration
- Australian Alumni Award For Entrepreneurship
- Australian Alumni Award For Business Leadership And Business Management
- Outstanding Young Alumni Award

THE VICTORIAN CONNECTION

The Victorian Connection is an inclusive LinkedIn networking group (Facebook group is coming soon) that connects professional Victorian expatriates, repatriates, alumni and those interested in doing business with Victoria, Australia who live outside of Australia, as well as Victorians in Australia who are interested in export or trade. The aim is to connect Victorian professionals with other Victorians, and those with Victorian interests, when overseas. This group promises to:

- Develop social connections with other Victorian professionals in overseas countries
- Tap into our trade and investment in-market representatives
- Tap into other in-market industry, government, local chambers of commerce and academia connections
- Learn about industry developments in Victoria
- Learn about trade and investment opportunities

Sub-groups include the various countries of Asia (e.g. China, Indonesia, Malaysia, Singapore, India)

www.linkedin.com/groups?gid=2824810

Overseas Australians

At the state level, it is useful to include Australian expatriates in business networks (see box: The Victorian Connection, above). Australians are increasingly living,

working and travelling in and around Asia. Nearly four in 10 of those Australians who emigrated moved to an Asian country in 2011-12. Singapore was the fourth most common destination, China the fifth, after the UK, New Zealand and the US. Asia will become an even more important emigration destination over time, reflecting the evolving composition of Australia's population, the rising incidence of dual nationality and the increasing economic opportunities from a resurgent Asia.

Australians Living Abroad, end-2001



Australia's Diaspora: Its Size, Nature and Policy Implications; Graeme Hugo, Dianne Rudd and Kevin Harris. The Committee for Economic Development of Australia (CEDA).

The UK is still a major destination for Australians going overseas on a long-term or permanent basis (ca. 200,000), partly reflecting the strong Australia-UK linkages forged during colonial times and in the era of the British Commonwealth. Other large communities exist in Greece (return migrants), the US and New Zealand. The fifth largest community of Australian citizens overseas is in Hong Kong (46,000). This is the largest of a number of expatriate communities in Asia. Other large communities in Asia are in Indonesia (12,000), Japan (10,651), Singapore (12,000) and Malaysia (4,700).⁴¹

⁴¹ Australia's Diaspora: Its Size, Nature and Policy Implications; Graeme Hugo, Dianne Rudd and Kevin Harris. The Committee for Economic Development of Australia (CEDA).

Chapter 14

Public Education

In this chapter, the following public education issues will be considered:

- Does Australia engage in any activities to prepare the Australian population to effectively seize opportunities in Asia (e.g., promotion of Asian language learning, partnerships between educational institutions, student exchanges), and to counter any negative perceptions to increased trade and engagement with Asia?

Public Education – Best Practices

- In October 2012, the Australian Government released the *Australia in the Asian Century White Paper*, which outlines Australia's objective to build stronger and more comprehensive relationships across the Asian region. The document is an excellent blueprint for strategic engagement.
- A cornerstone of Australia's public education is enhanced 'Asia literacy', the development of a strong cohort of young Australians that not only speak an Asian language but also have understanding of the histories, geographies, arts and literature of Asia.
- The government wants to offer Asian language studies to every Australian child from their first day of school by 2025; priority languages include Japanese, Chinese, Hindi and Indonesian.
- A new initiative is the so-called Reverse Colombo Plan, which foresees large numbers of Australian undergraduates sent to study and work in Asia under a long-term A\$100m scheme.
- Australia is home to numerous government-supported Asian Institutes and Programs that specifically support soft power Asia literacy goals.

----- Other key issues

- Recent trade and investment issues have created public unease: Chinese purchases of farmland; animal cruelty issues in live sheep/cattle trade with Indonesia; and residential property prices spikes in metropolitan centres blamed on Asian investors. These, along with the country's illegal immigrant issue, are frequent foci of negative perceptions towards increased trade and engagement with Asia. However, amid the politicized engagement debate, it is not clear that Australia has a sustained policy to mitigate the issue.

During his time in office, Keven Rudd, the then-Labour Australian prime minister, proclaimed an ambition to make Australia the “most Asia-literate country in the collective West”.⁴² Under his successor, in October 2012, the Australian Government released the *Australia in the Asian Century White Paper*, which outlines Australia’s objective to build stronger and more comprehensive relationships across the Asian region. Largely the work of former treasury secretary Ken Henry, reportedly up to 100 officials worked on it for a year. The paper sets out 25 objectives for Australia to take advantage of economic growth in Asia (see box on key areas for success below, including more Asian language training in schools). However, there was no funding tied to the recommendations of the white paper and it did not lead to any major changes in the Department of Foreign Affairs and Trade.

The new Coalition government of Tony Abbott has distanced itself from what was the centrepiece of the previous government's foreign affairs strategy. The white paper website, which was previously widely referenced, was archived on September 20, a fortnight after the federal election that brought the new government to power.

Nonetheless, new Foreign Minister Julie Bishop has told the media that the government viewed the white paper as a "useful reference" document and would use parts of it that fitted with Coalition policy. "Elements consistent with the Coalition's policy of economic diplomacy and deeper engagement in the region through soft power diplomacy—for example, the New Colombo Plan—will be considered on their merits."

Asia is to Australia what the US is to Canada

Australia is increasingly Asia’s hotel, farm and quarry and the importance of trade and engagement with Asia, notably China, is widely accepted. Trade with China is worth about 8.4% of the Australian economy⁴³, tourism between the two countries is also expanding rapidly. According to a report from Allen Consulting, annual trade with China is worth over US\$12,500 per Australian household.

Asia Literacy

The need for Australians to be 'Asia literate' was endorsed in the Melbourne Declaration on Educational Goals for Young Australians.⁴⁴ There was specific recognition that the growing influence of India, China and other Asian nations is a major change in the world that impacts on all young Australians.

The new Australian Curriculum includes the cross-curriculum priority of Asia and Australia's engagement with Asia in every subject from Foundation to Year 12. This means that as part of their regular studies, students will, for example, explore Japanese poetry, study the history of the Vietnam War, document the contributions of Chinese people to Australian society, use the geography of Indonesia to study sustainability, research the biology of Malaysia's rainforests, consider India's development of mathematics, and become proficient in Asian languages including Chinese, Japanese, Indonesian and Korean.

⁴² The Age, June 17, 2008

⁴³ Canberra risks more by crossing China, Asia Times, December 16th 2013

⁴⁴ Melbourne Declaration on Educational Goals for Young Australians, December 2008

Achieving Asia literacy for all Australians will entail:

- Incorporating studies of Asia within all learning areas and at all year levels
- Developing Asia literate school leaders and teachers
- Developing Asia-focused classroom resources
- Delivering successful Asian language education
- Engaging parents, business leaders, government and the community

Specific country-level models of Asian literacy delivery have been established. One initiative is The Engaging China Project (www.engagingchinaproject.org.au). This initiative by the Australia-China Youth Association is making a practical and meaningful impact on the way Australian school students view China and its language and culture. The program sends Australian university students and graduates with experience learning the Chinese language and living in China to schools across Australia. They inspire, motivate and mentor school students to learn Chinese and to engage with China in creative ways across the Australian curriculum. Engaging China Project Ambassadors have experienced first-hand the opportunities that engaging with China opens up for young people.⁴⁵

The Reverse Colombo Plan

Under the new Australian government, the emphasis on Asia literacy has shifted to higher education. The new Coalition government plans to send large numbers of Australian undergraduates to study and work in the region as part of their degree courses.

Like the highly successful original Colombo Plan—in which thousands of Asian students studied in Australia from the 1950s to 1980s—the aim is for the new outward-bound scheme to last for several decades, not just a few electoral cycles. Prime minister Tony Abbott has committed A\$100m for a 5-year pilot scheme. The trial is scheduled for 2014 and the government is drumming up support among business, identifying champions such as ANZ and the Macquarie Group. Internships will also be part of the scheme.

The initiative faces many hurdles: (1) uncertain demand given preferences for study in North America and the EU; (2) parental concern for children's welfare in unknown countries; (3) the mismatch in high education systems; and (4) the current lack of Asian language skills. These obstacles reflect the fact that so few Australians are Asia-ready.

To succeed, the plan must provide certainty and structural incentives for universities. The problem with existing programs is their limited availability and the absence of ongoing funding which mean programs cannot be embedded in the curriculum. Outbound study programs too often relied on the enthusiasm and goodwill of a few academics. Success will also require pathway programs to ensure that students are properly prepared for study in Asia. The soft-diplomacy benefits of the scheme may be lost if Australia sends students with no language skills and little cultural training.⁴⁶

⁴⁵ China Country Strategy, Australian in the Asian Century

⁴⁶ Michael Spence, Vice-chancellor of the University of Sydney in *The Australian*, Sept 18, 2013

The five key areas for success in the Asian century:

- ❶ Build on its home strengths and extend comparative advantage through ongoing reform and investment across five pillars of productivity—skills and education, innovation, infrastructure, tax reform and regulatory reform.
- ❷ Enhance the capabilities that are particularly important for the Asian century, including job-specific skills, scientific and technical excellence, adaptability and resilience. As a nation Australia needs to broaden and deepen its understanding of Asian cultures and languages, to become more Asia literate. These capabilities are needed to build stronger connections and partnerships across the region.
- ❸ Australia’s commercial success in the region will require innovative, competitive Australian firms and institutions to develop collaborative relationships with others in the region. Australian firms need new business models and new mind-sets to operate and connect with Asian markets. Firms will adapt their business models to seize the opportunities created in our region.
- ❹ Australia’s future is irrevocably tied to the stability and sustainable security of the region. Australia will work to build trust and cooperation, bilaterally and through existing regional mechanisms. It will continue to support a greater role for Asian countries in a rules-based regional and global order.
- ❺ Strengthen deep and broad relationships across the region at every level. These links are social and cultural as much as they are political and economic. Improving people-to-people links can unlock large economic and social gains. While the Australian Government plays a leading role in strengthening and building relationships with partners in the region—with more intensive diplomacy across Asia—others across a broad spectrum spanning business, unions, community groups and educational and cultural institutions also play an important role. Stronger relationships will lead to more Australians having a deeper understanding of what is happening in Asia and being able to access the benefits of growth in our region. In turn, more of our neighbours in the region will know us better than they do today.

(Extracted from: Australia in the Asian Century White Paper, October 2012)

Other Education Initiatives

The Asia Education Foundation (AEF) works in partnership with a broad range of stakeholders who provide funding, networks and expertise to build and expand programs that support teachers, schools and school leaders to achieve Asia literacy for all their students. Two of their most successful programs are Access Asia Schools and the BRIDGE Project.

■ Access Asia Schools

The Access Asia Schools initiative acknowledges school leaders and teachers across Australia who are committed to equipping their students with Asia literate skills to live and work successfully in the 21st century as responsible and global citizens. The initiative supports:

- opportunities to share strategies, practices and resources focussing on implementation of the Australian Curriculum
- development of partnerships for schools within their communities, with businesses and other schools.

Over 460 schools have been acknowledged as Access Asia Schools for their implementation of Asia literate curriculum.

■ BRIDGE Project

The Australia-Asia BRIDGE (Building Relationships through Intercultural Dialogue and Growing Engagement) School Partnerships Project is a blended model of face-to-face teacher professional learning and online engagement that connects teachers, students and school communities with their counterparts in Asia to increase awareness and understanding of contemporary Australia and Asia.

Outcomes:

- Strengthens Asian language capabilities of young Australians by exposing students to direct personal experiences that motivate language learning
- Builds the Asia capability and Asia-interest of young Australians through increased intercultural understanding, knowledge and engagement
- Enhances digital capability among teachers and students through the use of innovative technologies
- Builds high quality Asian language teachers and programs.

The program is running in China, South Korea, Thailand and Indonesia. The Australia-Indonesia BRIDGE Project is the largest. It supports the development of intercultural understanding and ICT skills to build capacity in participating schools. Since the project's inception in 2008, 96 Australia-Indonesia school partnerships have been established with over 380 teachers directly involved. The Australia-Indonesia BRIDGE Project supports a number of Australian Government-built Indonesian schools to improve teacher capacity and access to technology.

Asialink, a non-academic affiliate of The University of Melbourne and an initiative of the Myer Foundation, is also renowned for being one of Australia's leading centres for the promotion of public understanding of the countries of Asia and of Australia's role in the region. It provides information, training and professional networks. Asialink specialises in "soft diplomacy", delivering high-level forums, international collaborations, leadership training and education. The Asia Education Foundation (AEF) provides teachers, education leaders and school communities with innovative programs, curriculum resources and networks to support the achievement of Asia literacy for every young Australian. These include short-duration study programs for primary and secondary school teachers, school leaders and other education professionals.⁴⁷

There are some significant government grants now flowing to universities for Institutes focusing on Asia.

- The Southeast Asia Institute, Australian National University
- Asia Institute, The University of Melbourne
- College of Asia and the Pacific, Australian National University
- The Monash Asia Institute

⁴⁷ Asialink: asialink.unimelb.edu.au

Asian Languages

The previous Labour Government pledged to boost Asian language studies in schools. It earmarked A\$15.2m to encourage students to study Asian languages, so that “every Australian student will have significant exposure to studies of Asia across the curriculum to increase their cultural knowledge and skills and enable them to be active in the region”.⁴⁸

The government wants to offer Asian language studies to every Australian child from their first day of school by 2025. The priority languages in the *Asian Century* White Paper include:

- Japanese
- Chinese
- Hindi
- Indonesian

German and Arabic are also identified as important languages in supporting Australia’s trade.

Another national objective as articulated in the White Paper is that all Australian schools will engage with at least one counterpart school in Asia to support the teaching of a priority Asian language, including through increased use of the National Broadband Network (see BRIDGE Project, previous page).

Despite these stated aims, some education experts in Australia have charged that the new funds allocated are not sufficient for the lofty ambitions.

“The government needs to work in partnership with the industry to investment more in Asian languages in schools and universities and \$15.2 million in the white paper is frankly gearing Australian students for mediocrity in the Asian century.”

Laurie Pearcey, Director, China Strategy & Development, UNSW

⁴⁸ Australia in the Asian Century

