



Submission

Enterprising Australia – planning, preparing and profiting from trade and investment

Austrade welcomes the opportunity to contribute a submission to the Trade Sub-Committee of the Joint Standing Committee on Foreign Affairs, Defence and Trade on Enterprising Australia – planning, preparing and profiting from trade and investment. Senior Austrade officers will be available to provide further detail on any aspect of the submission should the Committee require it at the time of the hearing.

1. About Austrade

The Australian Trade Commission (Austrade) is the Federal Government’s primary export promotion agency, and promotes investment in partnership with the Department of Industry, Science and Resources (ISR). It operates as a statutory authority within the Foreign Affairs and Trade portfolio. Austrade helps Australian businesses, particularly small to medium enterprises, to export their goods and services into overseas markets. Austrade also works to attract overseas investment to Australia and to help Australian companies make export related investments overseas.

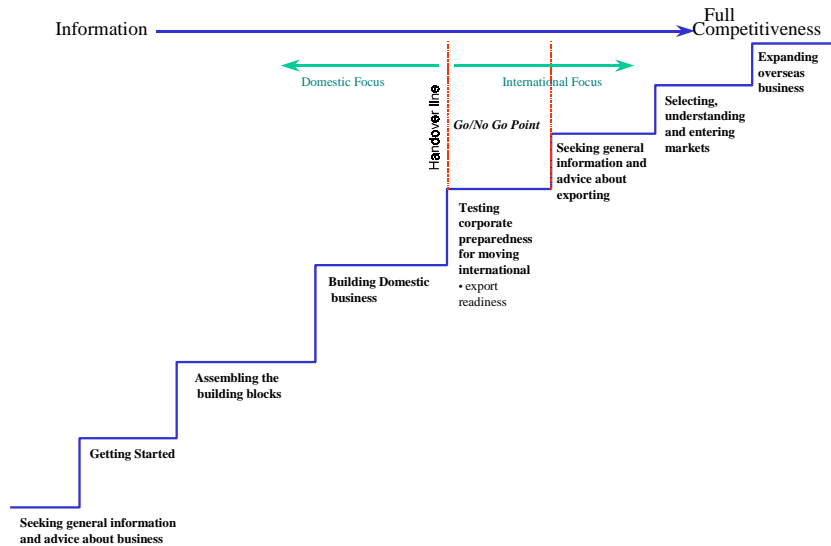
Austrade is a partner with ISR in *Invest Australia*, the Australian Government’s national investment agency. Through *Invest Australia* and through its wider international network, Austrade helps attract foreign direct investment into Australia and match Australian projects with overseas investors, with an emphasis on priority industries linked to Australia’s economic future.

Austrade works in close collaboration with other Commonwealth agencies, State and Territory Governments and industry bodies. It has responsibility for co-ordinating and advising on the development of the export promotion activities across Commonwealth agencies to ensure a focussed and consistent approach to winning overseas markets.

Austrade’s activities address impediments to the initiation and expansion of exports by reducing the cost, time and risk of exporting for companies. The Commission’s role is to assist those companies which are, or are nearly, export ready to access appropriate markets and seeks to move companies from an emerging to a mature exporter. Other agencies have a focus on assisting Australian firms to reach the point of being capable of exporting and there are arrangements for referral between Austrade and these Federal, State and locally based agencies.

Moving From a Domestic to an International Focus

Source: Austrade



Services

Austrade provides advice to companies on which overseas markets hold the highest sales potential for their product, how they can build a presence in these markets, and what sort of practical and financial help is available. Austrade's research indicates that our clients' needs change as they move up the international business learning curve. Initially, they need information and guidance to take the first steps into exporting, then practical support to enter new markets and finally intensive assistance to internationalise and pursue export opportunities.

Operating through an international network of offices, Austrade is able to identify potential buyers or agents and to pass on specific business opportunities as they arise. By working with Australian businesses, Austrade can accurately match Australian suppliers with interested local contacts and arrange introductions.

Austrade export services reflect the three different stages identified in the international business learning curve. Our services are designed to help Australian companies move along the curve faster than normal, while also reducing the risks and costs associated with developing an export business.

Austrade's export services are grouped into three broad segments.

- Tier 1: *Seeking general information and advice about exporting.* At the start, Austrade helps Australians thinking about export, by providing a range of general information and advice that will assist them in the decision making process.

- Tier 2: *Selecting, understanding and entering new markets.* When companies are ready to export, Austrade helps them select, understand and enter export markets, through focused advice and assistance in Australia and overseas.
- Tier 3: *Expanding overseas business.* Austrade provides tailored assistance and strategic advice to existing exporters looking to expand their overseas business.

Partnership with *Invest Australia*

One of the key priorities for Austrade is the promotion of Australia as an attractive environment for investment. It meets this objective through its partnership with ISR in *Invest Australia*, its contribution to Axiss Australia (the Australian Government's initiative to promote Australia as a global financial centre in the Asia/Pacific timezone) and through its own investment promotion activities and services provided through its worldwide network.

Invest Australia has 11 overseas offices, staffed and managed through Austrade's overseas network, and three offices in Australia (Canberra, Sydney and Melbourne). The Sydney and Melbourne offices, which are managed by Austrade with staff from both Austrade and ISR, form the National Investment Response Centre (NIRC). In addition, the Austrade network of Trade Commissioners provide advice and referrals regarding investment where appropriate and their performance is measured in this respect as well as export impact.

Invest Australia is very successful in bringing private sector experience to the investment promotion activities with the overseas Investment Commissioners being drawn from senior ranks of the private finance and banking sector. These individuals have the experience to relate well to potential investors who are used to dealing with the private rather than public sector.

Within Australia, the NIRC supports the promotion and attraction activities of the overseas network by providing capability documents on key Australian industries, research to answer enquiries from potential investors and investment briefs on Australian projects seeking overseas investment capital, technology or management expertise. The NIRC also plays a strong co-ordination role with State and Territory governments, particularly in arranging visit programs within Australia for potential investors.

Invest Australia and Austrade provide potential investors with detailed information on Australia's business environment identifying and promoting Australian projects to overseas investors. They also assist to match potential foreign investors with Australian joint venture partners and foreign companies with site visits to Australia. Introductions to key government agencies and professional service firms is a valuable service to potential foreign investors.

Companies establishing in Australia may be eligible for financial assistance for training, research & development, regional headquarter establishment and export market development.

Australia's State and Territory Governments also actively seek to encourage productive investment projects and regional support operations to locate within their respective borders and, on a case-by-case basis, may offer incentives to meet companies' specific requirements.

Austrade's global network

Austrade's global network is strategically located to provide support where exporters need the most help and where the greatest opportunities exist. Austrade has around 90 offices overseas, spread across six regions:

- The Americas
- Europe
- Middle East/Indian Ocean
- North East Asia
- South East Asia, and
- South Pacific.

Generally, overseas offices are managed by Senior Trade Commissioners or Trade Commissioners, with Trade Commissioners and/or (locally engaged) Business Development Managers reporting to them. Senior Trade Commissioners and Investment Commissioners report to Executive General Managers located in the region. Austrade makes considerable use of locally engaged staff members in order to take full advantage of the language skills and the cultural and marketing knowledge they possess.

Other strengths of Austrade's overseas network include:

- its ability to use its status as an Australian Government agency to "open doors" for Australian business
- its ability to provide an integrated internationalisation service through its export, inward investment and outward investment expertise
- the ability of our overseas offices to work together and to share information rapidly using advanced e-mail and client management systems, and
- the integration of the overseas network with Austrade's domestic network (including the ally network through TradeStart offices), providing for quick referral of queries and opportunities.

Programs

Austrade also administers a range of programs including the Export Market Development Grants (EMDG) scheme which provides assistance to small and medium Australian exporters committed to, and capable of, seeking out and developing export business by repaying part of their promotional expenses.

The TradeStart programs provide improved access for Small and Medium Enterprises (SMEs) in rural and regional Australia to the export assistance services of Austrade. Under the program State Government, local economic development agencies and industry associations are contracted to deliver basic Austrade services at a local level in rural and regional areas. Since July 1998, 24 TradeStart offices have opened and over 2000 inquiries have been handled.

Export Access assists SMEs to become sustainable exporters. The program commenced in 1991 and has helped over 3,200 SMEs. Export Access is funded by the Federal Government through Austrade, and delivered nationally by a network of private and public sector export advisers. This package is of proven value and assisted 165 rural and regional companies to become exporters in 1999-2000.

2. Performance of Austrade

With the introduction of accrual based Outcome budgeting in 1998/99, Austrade is committed to producing the Outcomes as agreed with Government. Outcomes are “the results the Government wants to achieve for the community”.

For each of the four Outcomes, Austrade reports to Government on cost , quality, volume and type of activity undertaken. The results illustrate the performance against set targets and measures of activity in financial year 1999/00. Among these are Austrade’s key performance indicators (KPIs) that enable Austrade to indicate to what degree it has contributed to Australia’s export and investment performance.

The KPIs that are applied rigorously against corporate and individual manager’s performance include client satisfaction, the number of companies assisted into exporting, export impact, number of existing exporters assisted into new markets, outward investment impact and inward investment impact.

Client satisfaction is a measure of how Austrade’s clients rate their experiences with the organisation and is currently measured through an annual survey of Austrade clients undertaken by an external, independent agency. In 1999/00, 81.8% of clients recorded a positive experience of Austrade’s service.

In 1999/00 Austrade recorded an Export Impact of \$7.47 billion, that is export sales made by Australian businesses where the client confirms that Austrade made a positive contribution to those export sales. Over this period Austrade assisted 3966 exporters into new markets and more than 1200 companies which were completely new to export. Austrade also distributed \$135.7 million in Export Market Development Grants (EMDG) to approximately 3,000 companies, which in turn generated approximately \$4.5 billion in exports. In 1999/00, the EMDG scheme returned a ratio of exports to grants of 35:1.

As a partner in *Invest Australia* and through its wider global network, in 1999/00 Austrade played a role in attracting and facilitating 64 new investment projects to Australia, valued at \$1 billion. These are forecast to generate in the order of 2120 new jobs and over \$500 million in annual export sales. In the same year, Austrade’s Outward Investment Impact was \$895 million.

Information Age

Austrade remains at the forefront of using information technology to provide quality service to its clients. During 2000 Austrade conducted a major assessment of the likely impact of the Information Age changes on its business and that of Australian exporters. This Information Age project has led to the implementation of a number of initiatives to capitalise on the potential of the Internet in international business.

A key project is the redevelopment of Austrade's website as a gateway for Australian business to export information and services. The site currently provides access to a broad range of information on international markets, advice on the use of the Internet for exporters, links to online markets and an online database of Australian exporting companies. The expanded website will also allow for an increasing level of delivery of Austrade services online. The site will extend access to Austrade and other appropriate information and services for exporters, the vast majority of whom are already using the Internet in their business.

Austrade has as a key focus the provision of information to existing and potential exporters about opportunities in the new economy sectors and in using e-commerce to trade. 53 "E Commerce for Export" seminars have been held throughout rural and regional Australia with total 453 participants since October 1999. Due to the high quality of the events there is a waiting list of potential clients.

3. Linkage Between Trade and Investment

Global economic integration is significantly increasing the links between inward and outward foreign direct investment (FDI) and exports, with intra-company transactions a key driver in cross border trade. FDI is now a key stimulus for economic development, delivering new employment opportunities, export growth, new capital and technology, international alliances and increased competitiveness.

The future of Australian business is dependent on linkages that are investment driven, including joint ventures and strategic alliances, and on growing our knowledge economy base. In the global environment, investment capital is highly mobile and competition for investment is vigorous therefore it is important that Government plays a key role in attracting investment to Australia.

4. Comparison with selected other agencies

Austrade cannot be compared directly with many other international economic development agencies since Austrade, in its own right, does not fulfil this role in Australia but is rather an export and investment promotion organisation. Assistance and support for industry development, exporting and investment is provided differently in different countries and the activity of each country's agency is tempered by varying political, geographical, social and economic reforms.

However, research conducted by Austrade comparing the performance of TPOs in USA, Israel, Ireland and Sweden, showed that Austrade compared well with similar nations in its export

promotion and investment attraction efforts. The research was conducted with a view to identifying world's best practice on a range of issues facing TPOs and Austrade has used the results in its constant process of seeking to enhance its services and operation. The research showed that in particular, it leads the way in managing the impact of the information age and new economy on its future role. Australia also supports one of the largest trade fair programs of any country and engages the majority of its staff in overseas markets.

Overseas agencies also saw Australia's dedicated presence in international markets, through Austrade/*Invest Australia*, as being a significant competitive strength and a desirable model to be considered as a means of improving their own operations. Austrade's global network allows it to provide consistent and permanent presence with which to present the opportunities for investment in Australia. In contrast Enterprise Ireland, the Israeli Export Institute and the US International Trade Agency all rely on commercial attaches in their embassies and often compete for resources.

5. Incentives and impediments to foreign investment

In making their choice of investment destination overseas investors will consider positively a range of criteria including a stable political environment, solid economic performance and a well educated workforce. Australia is also in an unique position in that it has geographic proximity to Asian markets, a multi-cultural/multi-lingual workforce and a timezone well positioned to enable follow the sun capability between the markets of America and Europe. These features make Australia an attractive location for regional headquarters and shared service centres. While Australia performs well on these criteria, being a relatively small economy, it needs to constantly ensure that it is actively seeking and encouraging appropriate investment. In part it needs to do this by making potential investors, who may otherwise overlook Australia, aware of the opportunities available in this country.

Australia offers a highly skilled workforce and investment in human capital through education and training and research and development is of particular importance in attracting investment to Australia. It has been shown that commitment to education and training has played a key role in the ability of nations such as Israel and Ireland to perform well in the knowledge economy. It is also necessary that educational institutions have an international reputation for excellence as is the case with a number of Australian universities.

6. Opportunities for encouraging investment and exports

Emerging Industries

Austrade maintains a balanced view of the export sectors and ensures that resources are directed to the areas where they are likely to provide the greatest return. This means being in a position to identify emerging industries and associated opportunities such as Information and Communication Technologies (ICT), biotechnology and computer software services. Other priority sectors for Austrade include the agribusiness, education and automotive businesses.

Key sectors targeted for inward investment by *Invest Australia* include Information and Communication Technology (ICT), pharmaceuticals, biotechnology, advanced manufacturing, agribusiness and food processing, plantations and wood and paper products, resource processing shared service centres, regional headquarters and, in conjunction with Axiss Australia, financial services.

Of the 64 investment successes in which Austrade played a role in 1999/00, 20 were in ICT and related industries. The Canberra office of *Invest Australia*, in conjunction with The Department of Communications, Information Technology and the Arts (DoCITA), has engaged PricewaterhouseCoopers to review target sectors and companies for information technology and communications investment attraction.

New Markets

There are a number of emerging markets which are likely to provide opportunities for Australian exporters. These include a greater capability of South East Asian economies, rapidly developing markets in Central Europe and Middle East and Indian Ocean and opportunities for export from the reconstruction of East Timor. Austrade has also launched an integrated marketing campaign to promote South America to boost Australian awareness of Latin American markets. There is also a number of emerging markets for investment including the Middle East, South Africa and Korea which are all locations well represented by Austrade officers.

Austrade uses small, flexible offices and roving Business Development Managers to extend its reach into new sub-regions as regional centres become significant sources of opportunity. For example, such arrangements allow for Austrade to initiate a presence in relatively unexplored markets such as those in China, South East Asia, southern India and southern Africa.

E-commerce

Austrade has a number of initiatives which have a rural and regional focus, to promote e-commerce tools specifically of assistance to exporters operating on-line. Austrade also provides on-line and off-line advice to exporters about how to use the Internet for business and international marketing.

7. Conclusion

Austrade would be pleased to support this submission by providing further detail on any aspect of its role and responsibilities to the Trade Sub-Committee of the Joint Standing Committee on Foreign Affairs, Defence and Trade.