

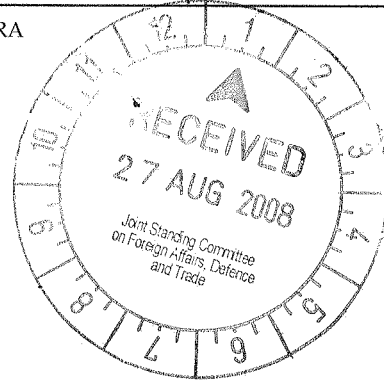


**Jon Stanhope** MLA  
CHIEF MINISTER

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Secretary: J. Lu...

TREASURER MINISTER FOR BUSINESS AND ECONOMIC DEVELOPMENT  
MINISTER FOR INDIGENOUS AFFAIRS MINISTER FOR THE ENVIRONMENT, WATER AND CLIMATE CHANGE  
MINISTER FOR THE ARTS  
MEMBER FOR GINNINDERRA

Ms Janelle Saffin MP  
Chair of the Trade Sub Committee  
Joint Standing Committee on  
Foreign Affairs, Defence and Trade  
PO Box 6021  
Parliament House  
CANBERRA ACT 2600



27 AUG 2008

Dear Ms Saffin

Thank you for inviting the ACT Government to provide a submission to the inquiry into ways of expanding Australia's trade and investment relations with Asia, the Pacific and Latin America.

The ACT Government supports free trade and the benefits that free trade can bring to the ACT economy. The ACT Government has been an active participant in National Trade Consultations, its successor body the Ministerial Council on International Trade, and the Senior Trade Officials' Group.

The invitation advised that the inquiry will focus on:

- The nature of existing trade and investment relations;
- Likely future trends in those relations;
- The role that these countries might play in advancing DOHA round of Multilateral trade negotiations in the WTO; and
- The role of the government in identifying opportunities and assisting Australian companies, especially those in rural and regional areas, to maximise opportunities in these regions.

Comment is provided against these points.

***The nature of existing trade and investment relations***

Current ACT Gross State Product is some \$21 billion, which places us ahead of both Tasmania and the Northern Territory. Exports are close to \$1 billion, and are mostly in services.

The ACT's current principal trade partner for both goods and services is the US. In 2007, 37% of the territory's exports were destined for the US, with imports making up 30.3%.

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Due to the relatively small size of the ACT's export market, representing 0.4% of overall Australian trade, ACT export markets outside of the US can vary. In 2006 the top five export markets were Chile, US, Republic of Korea, Switzerland and Japan. In 2007 the top five export markets were US, France, Taiwan, Republic of Korea, and Switzerland.

The ACT has adopted an integrated approach to trade and investment promotions. An example of this involves the ACT's approach to trade missions, which attempts to incorporate the traditional focus of helping local companies enter overseas markets but also seeks to attract foreign investments. Targeted markets for the next two years include India / Vietnam, Singapore / Malaysia / Brunei, China and Indonesia. Target industries will include ICT, research, e-government and creative industries.

Other promotional activities include the following:

- Publication of the 2<sup>nd</sup> edition of the ACT investment prospectus – *Investing in Canberra – Australia's Capital (08-09)*.
- Commissioning of an internationalisation strategy report.
- Increased exposure of the ACT Chief Minister's Export Awards.
- Commitment to host at least one trade mission every year, with a second mission when possible and viable.
- Continued support for the ACT Exporters' Network.
- Delivery of export training through the Canberra BusinessPoint service.
- Current reassessment of trade support initiatives.

Inward and outward investment markets have consistently come from the US, China, India and the EU.

Many of the ACT's recent inward investment successes build on the ACT's ICT and government procurement industries. The implicit value proposition of the ACT for investment is access to sales channels to government and Intellectual Property advantages from our intensive research and development activities. Most major defence-related firms have a presence in the ACT, and 2007 saw several acquisitions by US firms of ACT technology companies, for example, Mediaware by General Dynamics and TowerSoftware by Hewlett Packard.

Indian investors have also been keen to take advantage of the ACT's role as the prime site for the Commonwealth Government's procurement decision making agencies. A key sub-sectoral interest of most India companies has been in business process outsourcing (BPO) functions. In contrast, inflows from China are normally from private investors rather than multinational corporations.

Through the former Invest Australia, the ACT received several second round investment considerations from the EU, in particular Germany. Most of these investment opportunities centred on the biotechnology and alternative energy industries.

More formal outward investment activity can be found in the USA, where several ACT companies have established offices in Fairfax County, Virginia. This builds on the ACT's business competencies in providing ICT and advisory services to government and leverages on the existing FTA with the USA.

To promote trade the ACT Government also maintains cooperative arrangements with organisations in relevant overseas markets, such as:

- Virginia Economic Development Partnership;
- Greater Washington Initiative;
- Ottawa Centre for Research and Innovation; and
- Beijing through a Sister City Relationship.

***Likely future trends in those relations***

Because the ACT is a knowledge based economy, likely future trends are for increases in both trade and investment.

In July 2008 the ACT Government launched its *International Business Development Strategy* (attachment A) the strategy is largely based on an environment scan and high level review conducted by Bayliss Associates.

The strategy identifies that:

*“engagement in international business is a key driver in making ACT organisations and companies international competitive, it keeps them at the forefront of innovation, and helps them attract and retain world class talent and grow employment opportunities for a skilled workforce.”*

The five principals underlying the strategy are:

- Clarity – establishing a clear set of well defined and integrated activities.
- Stability – committing to a three year time horizon with annual review points, including consultation with stakeholders.
- Partnerships – working with existing players to deliver a balanced and effective export support service to the business community.
- Agreement – “sign on” and commitment by key stakeholders.
- Accountability – a clear understanding of roles, functions and expected outputs.

The International Business Strategy has also identified that companies new to export should give consideration to markets such as South East Asia, New Zealand and the Pacific Islands due to their lower barriers to entry.

***The role that these countries might play in advancing the DOHA round of multilateral trade negotiation in the WTO***

The ACT’s main trading partners have been closely involved with negotiations aimed at advancing the DOHA round.

The ACT Government supports the current efforts to progress multilateral Free Trade Agreements (FTAs) in parallel with bilateral FTAs.

***The role of the Government in identifying opportunities and assisting Australian companies, especially those in rural and regional areas, to maximise opportunities to those regions***

The role of the Government in identifying export opportunities for regional and rural companies could be enhanced in a variety of ways including:

- a strengthening of AusTrade's regional presence by either increasing local offices or Trade Start officers
- improved dissemination of information to raise awareness of opportunities, using the internet, radio programs and regional organisations
- a program of regular regional visits to key regional and rural centres, perhaps in conjunction with the provision of export skills development courses
- facilitating regional and rural export clusters

Thank you for providing the opportunity to provide a submission to the Joint Standing Committee on Foreign Affairs, Defence and Trade. Asia, the Pacific Islands and Latin America present opportunities for the ACT economy. I look forward to reading the findings of the inquiry.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Jon Stanhope'.

Jon Stanhope MLA  
Chief Minister

14 AUG 2008