



Australian Government

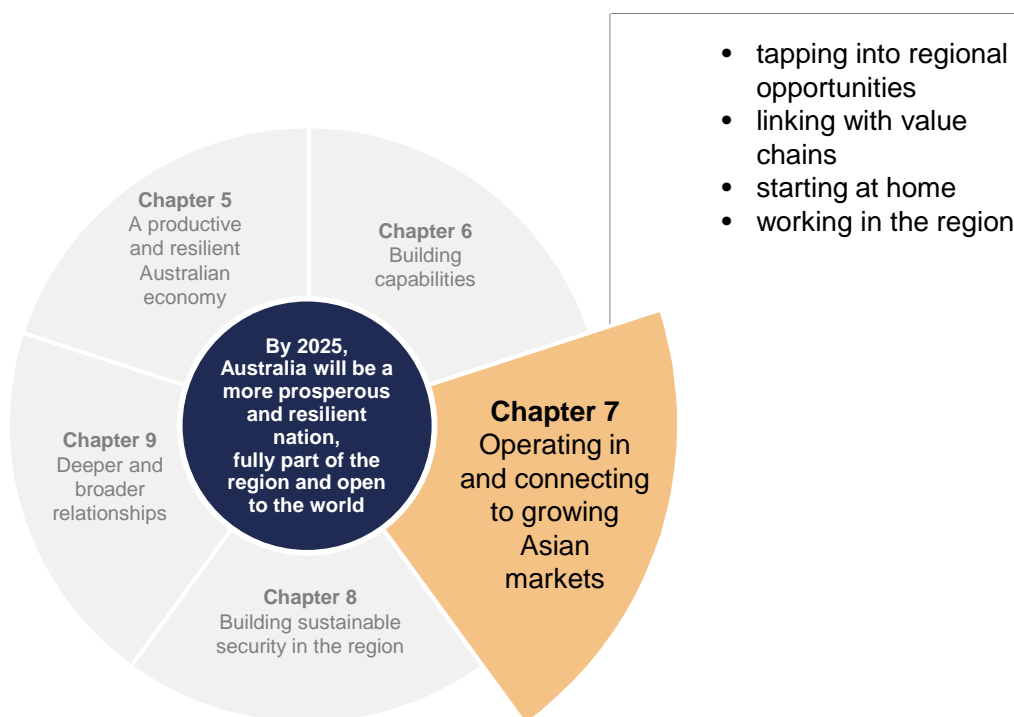
AUSTRALIA IN THE ASIAN CENTURY



White Paper
October 2012



Chapter 7: Operating in and connecting to growing Asian markets



Key points

Australian businesses and their employees can be big winners from the Asian century, with new and expanding opportunities for our miners, manufacturers, farmers and a broad range of service providers.

To make the most of these opportunities, Australian businesses must become fully part of the region, adjusting their strategies, linking with regional value chains and developing long-term relationships.

Australian businesses need to continue developing products, services and expertise that are valued in Asia—by innovating and by understanding the diversity in demand, conditions and customs.

The Government will work with businesses, especially small and medium-sized enterprises, to build their capabilities, identify opportunities and open markets.

We will work with industry to raise awareness of the opportunities available to firms from Asia of doing business, and partnering, with Australian businesses, focusing on Australia's many areas of strength.

We will work at home to support Australian businesses—welcoming foreign investment and reducing tariffs and other barriers to the movement of goods, services and people.

But even the most competitive Australian businesses cannot participate in the Asian century if they are locked out of markets.

The Government will work beyond Australia's borders to strengthen regional economic and financial architecture, increase openness to trade and improve outward investment opportunities for Australian businesses across the region.

We support the ambition of a free trade area for the Asia-Pacific and will traverse various pathways in order to bring it to completion, including through the Trans-Pacific Partnership Agreement, the Regional Comprehensive Economic Partnership and expanded agreements involving countries in the Association of Southeast Asian Nations.

We are committed to concluding high-quality agreements with China, India, Indonesia, Japan and South Korea and a regional trade agreement in the long term.

The Government will press for early completion of agreements on trade facilitation as part of the Doha round and on services under the auspices of the World Trade Organization involving 46 economies, and negotiations on agriculture liberalisation.

Collaborating with governments within the region will be vital to securing greater accord between our arrangements and those of our neighbours.

7.1 Introduction

The Asian century offers a wealth of opportunities for Australian businesses and consumers as the flow of goods, services, people and capital increases between Australia and the region.

Economic integration with Asia and openness to the region have been beneficial for Australian businesses and consumers (Chapter 3).

Greater openness within the region, more sophisticated and affordable communications and transport systems and rising incomes will bring closer connections and increased demand for more diverse goods and services (Chapter 4).

Australia's domestic market supports many Australian businesses, but the region provides scope to sustain, transform and grow many more, no matter what their size.

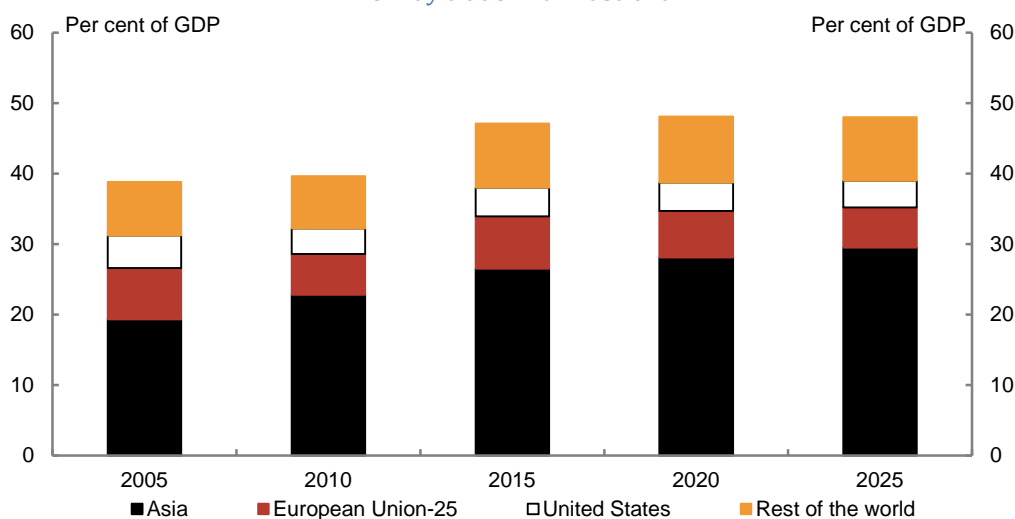
Governments and businesses will need to work together to seize these opportunities. The region will be a highly competitive environment as businesses from around the world seek to secure similar opportunities.

Australian businesses need to build on their existing advantages by developing new capabilities and approaches as they become fully part of the region.

7.2 Tapping into regional opportunities

The rise of Asia presents Australian businesses with many new opportunities, as cross-border flows of goods, services, people and capital increase (Chapter 4). Australia's trade with Asia will grow strongly (Chart 7.1), as will our investment flows.

Chart 7.1: Australia's trade links
Two-way trade with Australia



Notes: Consistent with the business-as-usual scenario (Chapter 4). See glossary for definitions of country groupings and the details of the Treasury projections.
Source: Treasury projections based on ABS data.

National objective

17. Australia's businesses will be recognised globally for their excellence and ability to operate successfully in Asian markets.

Australian businesses will be quick to recognise opportunities as they emerge and have both the understanding and capacity to adapt to the way business is done across the region. This means more Australian businesses, including small and medium-sized enterprises, will be integrated into Asian markets.

They will build on existing advantages, including in mining, agriculture, finance, design, construction, health and aged care, education, professional services and tourism, to deliver the products and services that are valued in Asia. They will continue to innovate and develop long-term relationships.

Australian businesses and their employees will improve their Asia-relevant capabilities by investing in people and knowledge to support expansion of their businesses (Chapter 6). The diversity within the region means there is no standard model.

Many businesses have made these connections already. Their knowledge will be invaluable to others seeking to develop new business models (Box 7.1).

Box 7.1: Building links internationally

The Mahindra Group, a multinational based in India, employs more than 100,000 people worldwide. It enjoys a leadership position in utility vehicles, tractors and information technology, and has a growing presence in financial services, tourism, infrastructure, trade and logistics. When Mahindra decided to expand into the aerospace sector, it looked globally for investment prospects and found its perfect match in two established Australian aerospace companies.

In 2009, Mahindra took a majority stake in Gippsland Aeronautics and Aerostaff Australia. Gippsland Aeronautics is an established brand, having delivered more than 200 aircraft in 32 countries. Aerostaff Australia is a highly regarded manufacturer of high-precision close-tolerance aircraft components and assemblies for major players, such as Boeing and Lockheed Martin.

Mahindra was well aware of Australia's general advantages through previous investments, and was drawn to Gippsland Aeronautics' highly skilled and multilingual workforce and research and development capability.

Mahindra has retained key management personnel in both companies. Gippsland Aeronautics' staff has more than doubled to around 155 people since Mahindra became involved and it is investing for long-term growth.

This investment is a valuable opportunity for Australia's aerospace sector to build its international presence. Austrade worked closely with Mahindra to provide advice and assistance on the investment process and introductions to contacts in the Victorian Government and other professional service providers.

While Australian businesses will be at the heart of this push, we will support their efforts—particularly small and medium-sized enterprises—to access these opportunities, through capacity-building, reducing the costs of doing business in Australia, welcoming foreign investment and working to open regional markets to trade and investment.

Linking with regional and global value chains

The capacity of Australian businesses to become fully part of regional and global value chains will heavily influence their success in the Asian century, and will also influence wealth and job creation in Australia. East Asia leads the world in such value chains. While Australia has achieved an increase in Australian-produced elaborately transformed manufactures to China and commodity exports to countries in the Association of Southeast Asian Nations (ASEAN) (Durban & Paterson 2011), we have relatively low participation in these value chains—something that must change (OECD 2012d).

Cross-border value chains are proliferating across all sectors of the international economy, including services. This trend is set to continue in coming decades, with the business models supporting these arrangements varying from fully vertically integrated corporate structures to contractual networks.¹ There is no single approach.

Increasingly, legal, accounting, engineering and design services will be supplied across national borders. For example, the Ford Ranger vehicle was designed in Australia and is produced across the global Ford production network, including in Thailand, and is sold in 180 countries.

Structural change in response to technology and changes in relative costs is not new for Australian businesses and is likely to continue. Business strategies and operating models will continue to respond. For example, the opportunities provided by the increasing sophistication and affordability of information and communications technology, particularly for service provision, are there for all. Many businesses have recognised these opportunities and are managing complex changes to their business models to secure them.

Integrating with regional value chains provides Australian industries with the opportunity to build on their strengths and expand their businesses. Australian businesses are already identifying those elements of value chains—from conception to production to consumer—where they have a comparative advantage. Traditionally, this has been at the start of these chains, providing minerals and agricultural products. These industries will remain important, but opportunities are increasingly likely to come from the efficient delivery of high-value-added inputs focused on

1 For example, Swedish furniture company IKEA has for years outsourced manufacturing to subcontractors in countries like Poland and China, retaining design engineering in Sweden. See also the Blundstone Australia example in Chapter 3.

customer demand in Asia, particularly for services (chapters 2 and 4). Capturing these opportunities will require a highly skilled labour force, access to technology, a strong focus on service provision and deeper engagement with Asian customers so as to understand and meet their requirements (Chapter 6).

Recent competitiveness studies suggest that Australian businesses can further enhance their international outlook and management experience, business systems and connectivity to suppliers and the region. This necessity is reflected in Australia's relatively low rating on the development of value chains (see, for example, CPA Australia 2012).

The value chain model is driving regional specialisation. Specialised production hubs are one possibility that Australian businesses should explore. These hubs involve a clustering of specific production steps in a particular region or country—for example, where transport or overhead costs are reduced or technology spillovers are enhanced by co-location (Athukorala 2010). Australia needs to prioritise cluster strategies, based on strong supplier networks and greater inter-firm cooperation (CPA Australia 2012).

Choices over the location of business activities, especially in the region, are also a factor for the competitiveness of Australian businesses. In many cases, cross-border partnerships, mergers or acquisitions will be necessary to build sufficient scale to be regionally competitive (Box 7.2). For example, BlueScope Steel, Australia's largest steel manufacturer, recently reconfigured its Australian operations and formed a joint venture with the Japanese company Nippon Steel to improve domestic growth and access new Asian markets, including Brunei, Indonesia, Malaysia, Singapore, Thailand and Vietnam, and to secure a greater presence in the United States (BlueScope Steel 2011).

Australian businesses are recognising the benefits of building commercial links with businesses in other countries—collaborating rather than competing to offer goods and services that align with areas of comparative advantage. For example, Australian financial services providers are increasingly targeting their products to complement other regional financial services centres.

In this environment, strategies to manage business risks and pressures that can arise from more sophisticated and integrated value chains are necessary. Disruptions to the global automotive components system following the earthquake and tsunami in Japan and the floods in Thailand in 2011 illustrated the importance of such skills and relationships (Boao Forum for Asia 2012). Building redundancy and resilience into value chains will be necessary, as will having a diverse set of partners and suppliers.

Strong relationships with these partners and suppliers will be essential.

Box 7.2: Accessing cross-border value chains—Binder Group

The Binder Group, established in 1982, is one of the world's leading designers, manufacturers and suppliers of pipe support and pipe suspension systems incorporating the latest technology in accordance with international design codes. Binder's systems are used in heavy engineering to secure and keep pipes in place.

Binder understood that to be a long-term sustainable manufacturer it needed to expand internationally, offer a cost-competitive product and be the supplier of choice to multinational customers.

Binder worked hard to develop exports by researching international markets and developing relationships with multinational customers. It accessed the global supply chain by continually 'knocking on the doors' of major engineering procurement and construction companies, getting added to approved vendor lists and developing a strong network of agents in target markets.

Using the latest design software, Binder can integrate with many of its customers' design packages to provide a seamless service that adds value and removes the time-consuming task of support design. The company has production spread across national borders. Its Perth factory focuses on short lead-time, high-flexibility products, and its joint venture manufacturing facilities in Indonesia allow it to compete in markets where price is a major factor.

Doing the homework and building up an international presence has paid dividends. Binder supplies the world's top 30 engineering companies and has worked with companies such as KBR, Bechtel, Saipem and Toyo. It has completed projects in the Middle East, Southeast Asia, Japan and South Korea.

Binder's competitive advantage is that it is a long-term global player offering bespoke solutions with a track record of projects; it also offers a competitively priced world-class product. The company has a strong international reputation and network of agents and has at various times been assisted by Austrade—through the Export Market Development Grants scheme—and the Export Finance and Insurance Corporation.

The Government will create a domestic environment with stable systems and a strong productivity agenda that allows Australian businesses to expand into regional markets, through policies based on improving skills and education, better planning of infrastructure investment, greater innovation and reducing regulatory burden (chapters 5 and 6). We will also work to increase market information and access.

And businesses can help each other. Some Australian businesses, including banks and suppliers of professional services such as legal and accounting services, can do a lot to help others become part of the region. In particular, they can and are assisting small and medium-sized enterprises to connect with potential customers and business partners in the region.

Building deeper business partnerships in the region

Australian businesses expanding into Asia cannot rely solely on strategies developed for the domestic market. Building a successful business in Asia requires an ability to establish and adapt relationships with regional partners and customers. Strong relationships are particularly important in the Asian market—business relationships cannot be established by a single visit, transaction or acquisition.

Some Australian businesses are deepening their relationships with Asia by ensuring that their senior management teams or company boards include people with Asian capabilities and experience, and that those skills are recognised and valued within the business. This trend has scope to broaden across industry sectors, and move beyond business leaders and large companies to form part of the business strategy for small and medium-sized enterprises looking to enter regional markets (Chapter 6).

Relationships across borders can be reinforced through a range of mechanisms, including joint ventures, local agents and direct ownership—the same mechanisms for joining regional and global value chains.

Australian businesses recognise that their approach must be based on a good understanding of the region, including an awareness of cultural differences across Asian countries and the impact these may have on social and business relationships (Box 7.3). Having leaders with cultural knowledge, language skills or experience in Asia are factors that will contribute to Australia's success.

Box 7.3: Linfox in Asia

Linfox is Australia's largest privately held logistics company. It delivers supply chain solutions across the Asia-Pacific region, including domestic transport and warehousing, cold-chain support and supply-chain network design.

Linfox first established operations in Asia in 1984. Today it operates in 10 countries, including Thailand, Malaysia, Indonesia and China, and has around 12,000 staff based in Asia. Its operations in Vietnam and India have recently grown rapidly. Its Asian business is profitable and growing twice as fast as its non-resource Australian business. Central to Linfox's success in Asia is a keen understanding of the cultural, political and business practices in each area of its operations.

Linfox's strategy, in Australia and abroad, has been built on developing an effective business model and staying with it. This strategy includes not compromising on critical elements of the model such as a commitment to safety, fair work practices and respectful staff relations. Building and maintaining long-term relationships with business partners and customers has also been important. The Linfox model demonstrates that applying best international practice along with deep regional knowledge can deliver a competitive advantage in business.

Businesses that are successful in Asia understand the importance of reciprocity and of differences in negotiating styles and social norms across Asian cultures, show courtesy in their relationships, and demonstrate a commitment to fostering and developing these relationships in both personal and professional dimensions (BCG 2012; UGM Consulting 2012; RBC 2012).

Businesses that understand their markets will be best able to tailor their products and capitalise on opportunities. Services sectors, in particular, rely on the ability of business to understand and engage with Asian economies and communities. Tourism, education, financial services, retail and information technology require a high degree of personal interaction. In many cases, building local teams has been important for success (BCG 2012).

Bilateral business councils, chief executive officer and similar forums, and industry and professional associations can support Australian businesses to network and make enduring regional connections.

Organisations, too—such as the Australian Petroleum Production and Exploration Association, the Australian Services Roundtable, the Business Council of Australia, CPA Australia, Engineers Australia, Master Builders Australia and chambers of commerce—can forge effective partnerships with international counterparts. Some of these associations have been pioneers in building bridges with Asia (Box 7.4). For example, over the past 50 years, the Australian Chamber of Commerce and Industry has provided support to the Australia Japan Business Co-operation Committee, which meets annually with Japanese counterparts at the top levels of business.

Opportunity exists to further leverage the capabilities and connections of Australia's business organisations. Through our Asian Century Business Engagement Plan, and with the support of the Austrade network, we will support the activities of Australia's member-based business groups to develop and execute projects to strengthen their long-term engagement in the region. This would see Australian businesses more effectively access in-market networks, develop new relationships with potential partners in Asian economies and help identify and secure more opportunities for Australian businesses to compete and succeed in regional value chains.

Box 7.4: A history of engagement—CPA Australia

CPA Australia's involvement in Asia began in the late 1940s, in an era when many nations in the region were newly independent or approaching independence and needed business institutions, infrastructure and processes to promote economic growth. A strong accounting profession was central to achieving those aims. Its approach is focused on forging strong formal and informal relationships with local professional bodies, universities and government agencies.

Today, it has 33,000 members in Asia, and offices in Beijing, Guangzhou, Hanoi, Ho Chi Minh City, Hong Kong, Jakarta, Kuala Lumpur, Shanghai and Singapore, among others. In Vietnam, CPA Australia has an agreement with the Ministry of Finance to help develop an international best practice legal framework to govern the local accounting and auditing profession. This will deliver results for the Vietnamese economy, and for Australian businesses looking to operate in Vietnam.

7.3 Starting at home

To secure the opportunities emerging in Asia, Australia needs to have in place border controls that do not impose unnecessary barriers to cross-border activity, and that support Australia's economic integration with the region.

The Government will remove unnecessary regulatory impediments and disincentives to doing business in Australia and moving goods, services, people and capital across our borders. While there are legitimate reasons for certain measures, these will be examined against the benefits that further economic integration brings.

Maintaining Australia's reputation as an attractive place to invest is crucial to our future. We will ensure that Australia remains open to investment from across the region and the globe.

We will work to further enhance Australia's reputation as a preferred business destination. Australia tends to do well on competitiveness and similar indices overall, but the results across individual elements can be highly variable (CPA Australia 2012). We cannot afford to be complacent, but should focus on building on Australia's existing advantages and improving our performance in areas where we are doing relatively less well.

Our domestic policy priorities are to meet our commitments to lower remaining tariffs, improve regulatory frameworks (particularly in support of greater financial integration), make the movement of low-risk goods and people easier, maintain consistent and transparent foreign investment screening and ensure that our regulations are well understood by domestic and foreign companies.

Appropriate infrastructure—airports, ports and communications systems—is essential to enabling effective cross-border trade and travel (Chapter 5). These facilities need to link into regional networks.²

National objective

18a. The Australian economy will be more open and integrated with Asia, through efforts to improve our domestic arrangements. The flow of goods, services, capital, ideas and people will be easier.

- Australia's trade links with Asia will be at least one-third of GDP by 2025, up from one-quarter in 2011.

To support these efforts, we will place regional economic integration at the centre of decision-making processes (Chapter 6). The relationship between our policies and regulations and those of our neighbours will be examined and we will look to the region, as well as across the globe, for better ways of doing things.

² Our Aviation White Paper sets out national priorities for the industry, including the coordination of airport planning and investment (Australian Government 2009).

We will work closely with Australian businesses, particularly small and medium-sized enterprises, to build their capacity to access emerging opportunities.

Continuing to lower our tariffs

Australia already has some of the lowest tariffs on industrial and agricultural products in the world. The Government will continue scheduled tariff reductions, such as the reduction of textile and clothing tariffs as well as those associated with commitments made to our trade partners in bilateral and regional agreements.

Ensuring the efficient administration of Australia's tariff system is important for reducing unnecessary transaction costs. For example, we are reviewing the legal and administrative framework for excise-equivalent goods to identify further possible improvements to this framework, including opportunities for streamlining arrangements and reducing costs to businesses.

Removing unnecessary regulatory impediments to doing business

We will build on our progress in simplifying and harmonising business regulations in cooperation with State and Territory governments (Chapter 5), through removing unnecessary regulatory measures or impediments to cross-border business activity over time and continuing to better align our regulatory frameworks with those of other countries in the region.

Continued financial market integration is a priority. This requires domestic and international efforts. Reforms are currently underway to further build on the strength of Australia's banking system, deepen Australia's corporate bond market and improve the efficiency and effectiveness of Australia's superannuation and financial sectors (Chapter 5). We will continue efforts to increase access by foreign businesses and investors to Australian financial markets, without risking system integrity, and to secure greater regional use of Australian financial services, such as funds management.

The Government has taken a number of steps towards this outcome, such as progressing an Investment Manager Regime, recommended in the Australian Financial Centre Forum's report *Australia as a financial centre* (the Johnson Report). The Investment Manager Regime will clear the path for growth of offshore funds in Australia and boost the attractiveness of Australia as a regional headquarters for fund managers. We are also progressing the Asian Region Funds Passport, which will increase the opportunities for Australia's funds management industry to manage the growing wealth in the region. Our present focus is on ensuring that licensing and other regulatory requirements applying to foreign financial participants strike the right balance between the integrity of the system and market access, and that Australian exchanges can effectively service the region.

Australia's tax settings have implications for increasing cross-border trade and capital mobility. Our bilateral tax treaty network, which sets out tax arrangements with partner countries and establishes mechanisms for dealing with disputes, needs to

cover our emerging trade and investment links across the region. The Government will give priority to negotiations within Asia, where it is in the national interest and where fiscal circumstances permit.

Our rules will be clear and consistent in their application, and better able to accommodate differences in definitions of income, debt and equity, capital, and accounting practices across the region. We will make efforts to ensure that ambiguity or conflict can be resolved in a credible and timely manner.

In these efforts, there will be trade-offs that will need to be balanced. The opportunities provided by increasing integration also present potential risks to Australia's revenue base.

Improving the movement of goods across Australian borders

The Government is developing an Australian border management strategy to respond to the challenges of the dynamic regional and global environment. This strategy will continue our intelligence-led, risk-based approach to intervention, whereby border protection agencies can concentrate on high-risk people, goods and environments, and low-risk goods and people can move in and out of the country with minimum disruption. Coordinating efforts offshore, at the border and onshore will be important for the effectiveness of border management arrangements in managing risk (Box 7.5).

Implementation of our biosecurity reform agenda includes stronger partnerships with State and Territory governments, industry, trading partners and the general public.

Reducing compliance costs is a shared responsibility. The Australian Customs and Border Protection Service works closely with industry, mainly through the Customs and Border Protection National Consultative Committee, to improve trade facilitation through co-design work. An example of this collaboration is work being conducted under the Cargo Control Framework; identifying measures to streamline the clearance of legitimate cargo is one area of focus. Customs and Border Protection undertakes an annual time release study to measure improvements in cargo clearance times.

The Government will encourage the Australian trading community to develop new collaborative mechanisms, such as the 'port community systems' being explored in the United Kingdom and elsewhere in the European Union. These systems seek to support efficient collection, collation and communication of data to border management authorities.

We remain committed to operating a robust and transparent trade remedies system that complies with Australia's international obligations. This system, which includes mechanisms for imposing anti-dumping remedies for under-priced imports that cause material injury to a domestic industry, is an important complement to the trade liberalisation commitments Australia makes to other countries. Reforms announced in the June 2011 Streamlining Australia's Anti-Dumping System package are in the process of being implemented (Australian Government 2011b). These reforms will provide better access to the system, particularly for small and medium-sized enterprises and primary producers, and will enhance the rigour and timeliness of decisions.

Box 7.5: Time release studies—measuring progress at home and abroad

Australia's time release studies provide a holistic view of the cargo operating environment and how different participants—government and businesses—affect clearance times. The studies allow year-on-year improvements in clearance times to be measured and further improvements to be identified. They also provide industry with a measure of how the Australian Customs and Border Protection Service and other agencies perform in delivering timely cargo clearance.

Data from time release studies indicates that clearance times at Australia's seaports and airports are improving. Since the first study was conducted five years ago, sea cargo is now cleared approximately 1.5 days earlier. It also shows that early reporting by industry supports improved cargo clearance performance, enabling border agencies to complete risk assessments before cargo arrives in Australia. Early clearance reduces transaction costs for industry as traders are able to prearrange collection and inland transport. The earlier identification of high-risk cargo, which may require additional scrutiny, supports more efficient handling of legitimate cargo.

Australia actively supports the carrying out of time release studies in other countries through the Asia-Pacific Economic Cooperation (APEC) forum and other international trade facilitation forums, and contributes to the expansion of regional expertise and capacity in this area.

Supporting the cross-border movement of people

Rising living standards in Asia will alter the pattern and volume of migration and travel (Chapter 2). The Government will ensure that our migration policy and regulatory settings are consistent, fair and have a reduced impact on trade and travel, while effectively managing the risks associated with the cross-border movement of people from many places.

We will strive to provide the best visa services in Asia by learning from existing services and the experience of travellers in the region, developing a new client-centred approach, and undertaking close discussions with countries in the region to work through impediments.

Low-risk visitors need to be able to enter Australia more easily if we are to take advantage of the expected increase in regional travel. We will expand our network of service delivery partners, progress label-free visa arrangements, support longer validity periods and multiple entry visas, and extend online visa lodgement to most visitors by 2013–14.

China will be a focus. The Government will build on a recent trial to streamline access for independent Chinese tourists and China's recent agreement to label-free visa arrangements. This follows the successful conclusion in 2011 of the Memorandum of Understanding on Strengthening Tourism Cooperation with China.

These initiatives add to existing efforts; respondents to a 2012 survey of Chinese travellers found the Australian visa application process easier than or comparable to those of other long-haul destination countries (GfK Blue Moon 2012).

Improved recognition of overseas educational qualifications and trade skills and a flexible, responsive skilled migration system, with appropriate controls, are required to help meet Australia's changing labour force needs while ensuring greater opportunities for Australians across a range of industries (Chapter 6).

Foreign investment

Foreign investment has been, and will continue to be, important to Australia's prosperity (Chapter 3). Investment links between Australia and the region are low relative to our trade relationship. Two-way investment links with our region should continue to grow over time.

The Government welcomes foreign investment into Australia (Box 7.6). Foreign investment supplements domestic savings and provides additional capital for economic growth, supports existing jobs, and creates new opportunities. It helps boost productivity by introducing new technology, providing capital for infrastructure, supporting global value chains and markets, and enhancing Australia's skill base through greater knowledge transfer and exposure to more innovative work practices.

Transparency regarding Australia's foreign investment screening process is important to give confidence to investors and the Australian community. The Government has improved transparency by outlining the factors that are considered when assessing the national interest implications of proposed investments. National interest considerations include the impact on national security, the economy, the community, competition, Government revenue or other policies, in addition to the character of the investor and the independence of its operations from foreign governments. An easy-to-read version of our foreign investment policy, which sets out these national interest considerations, was released in 2010 and translated into Chinese (Mandarin), Japanese and Indonesian.

The Foreign Investment Review Board website is regularly updated to provide guidance to assist investors to understand the foreign investment regime. The board has published a number of fact sheets to alert investors to their obligations when investing in Australia, including on issues such as corporate governance, corporate law, market activity, directors' duties, competition and consumer law, and taxation.

We will continue to enhance the transparency of Australia's foreign investment screening process, including publicly explaining significant decisions where possible, and making greater efforts to reach out to businesses and governments. We will ensure that our assessment framework and expectations for operating within Australian markets are well understood.

Our focus for promoting Australian investment opportunities to overseas investors will be on four priorities: economic and social infrastructure; tourism infrastructure; clean energy; and innovation (including advanced manufacturing). The Australian Trade Commission (Austrade) works closely with State and Territory governments to deliver Australia's investment priorities.

Box 7.6: Foreign investment in Australia

Around 450 business proposals for foreign investment in Australia are approved each year (with an average annual value of around \$135 billion), most within 30 days. Since 2001, only two business proposals have been rejected, one in 2001 in the resources sector and one in 2011 in the financial services sector.

The Government's foreign investment screening regime is designed to enable us to consider proposed investments on a case-by-case basis and, where necessary, stop those that are not in the national interest. We can also impose conditions on investments or require undertakings by foreign investors to address concerns.

Within this framework, however, foreign investment from all enterprises is welcomed. Recognising some community concern in this area, the screening arrangements are being made more transparent. For example, we have outlined some of the factors considered when reviewing proposals by foreign governments and their related entities and when reviewing investment proposals in agricultural land and businesses.

Investment in Australia by foreign government-related entities

Foreign investment across the region involves sovereign wealth funds, pension funds and state-owned enterprises, along with private enterprises. In Australia, all direct investments by entities related to foreign governments³ will continue to be subject to screening, regardless of the value of the investment, as will proposals by such entities to establish new businesses or acquire land in Australia.

For proposals involving a foreign government or a related entity, we give particular attention to whether the investment is commercial in nature or if the investor may be pursuing broader political or strategic objectives that may be contrary to Australia's national interests.

The increased understanding of Australia's foreign investment regime has helped reduce issues around foreign government investment and resulted in a smoother screening process.

3 Foreign governments and their related entities include a body politic of a foreign country; companies or other entities in which foreign governments, their agencies or related entities have more than an aggregate 15 per cent interest; and companies or entities that are otherwise controlled by foreign governments, their agencies or related entities (Australian Treasurer 2012).

Box 7.6 (continued)

Australian agricultural land and businesses

Foreign investment, along with domestic investment, will continue to be important for expanding Australia's food production and supporting Australia's position as a major exporter of food and agricultural produce.

We will continue to screen all proposed acquisitions of agricultural land and direct investments in agribusinesses by foreign government-related entities, irrespective of their value. Proposed investments by private investors in agribusinesses are subject to the same thresholds that apply to investment in other Australian company or business assets.

We recognise the need to preserve and, where possible, enhance the sustainability of Australia's national agricultural resources. In assessing foreign investment applications involving agriculture, we consider the impact of the proposal on:

- the quality and availability of Australia's agricultural resources, including water
- land access and use
- agricultural production and productivity
- Australia's capacity to remain a reliable supplier of agricultural production to both the Australian community and our trading partners
- biodiversity
- employment and prosperity in Australia's local and regional communities.

Data collected by the Australian Bureau of Statistics (ABS) in 2010 indicates that there is little foreign ownership of Australian agricultural land or businesses (89 per cent of agricultural land was wholly Australian-owned and a further 5.5 per cent was at least 50 per cent Australian-owned) (ABS 2011a). These results are broadly comparable with results from a 1983–84 ABS survey. High-quality data is crucial to public debate in this area and to maintaining public confidence in the foreign investment screening process. Consequently, we have funded ongoing and expanded data collection by the ABS.

A working group to consult on the development of a foreign ownership register for agricultural land has also been established. A national foreign ownership register for agricultural land would provide the Australian community with a more comprehensive picture of the size and locations of foreign agricultural landholdings than is currently available. We will pursue a register where it clearly improves transparency of foreign ownership in agriculture without imposing unnecessary burdens on investors or duplicating work already undertaken by State and Territory governments.

Greater collaboration between business and government

Australian businesses and governments can make a fresh commitment to work together to seize the opportunities before us.

The Government will step up efforts to help businesses to identify and secure opportunities on offer in the region. By offering practical in-market support and advice, helping businesses to secure finance and providing 'badge of government' support, we can make doing business in the region a little easier.

There will be opportunities for Australia's small and medium-sized enterprises through greater international engagement. The Government's main focus will be assisting these enterprises, which often find it more difficult to identify market opportunities and 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.

This support should be well targeted. We will work closely with the business community, including through peak industry and small business groups across the economy, and through bilateral and regional business forums.

We ask that businesses and industry groups get involved in these processes, as they have extensive networks and insights that complement and expand those of government. Such collaboration will also assist government efforts to get policy settings right, both domestically and internationally.

Collaboration between business, academics and government will be encouraged to generate ideas and strategies to resolve problems.

The Government will continue to work with non-government groups such as the APEC Business Advisory Council, the Business-20 (B20) forum as part of the Group of Twenty (G20) process, the Tasman Transparency Group and the Pacific Economic Cooperation Council. We will also work with leading university research groups and think tanks such as the G20 Studies Centre within the Lowy Institute and the G20 Asia Forum at the Australian National University.

Leaders across all levels of government have been supporting trade delegations and business tours across the region to build government-to-government and business-to-business links. Bilateral business councils are also important. These pathways to building business relationships will reinforce collaboration within the region.

New openings are emerging for Australian businesses to partner with governments and institutions in the region. For example, many countries in Asia have ambitious plans to upgrade the skills of their workforces. This creates opportunities for Australian education and training providers, some of whom are already working in the region (Chapter 6).

The Department of Foreign Affairs and Trade, Austrade (Box 7.7), Enterprise Connect and the Export Finance and Insurance Corporation (EFIC) will be at the heart of the Government's efforts to help Australian businesses to become part of regional markets. These agencies will better coordinate their activities abroad and at home, and better target the growth opportunities of the Asian century. We will improve cooperation and coordination with State and Territory agencies so we can work together under an overall 'Australian' umbrella.

Enterprise Connect supports Australian small and medium-sized enterprises to develop the skills, capabilities and knowledge needed to make the most of opportunities at home and abroad. Its business advisers work directly with companies. This support was extended recently to the tourism industry.

EFIC assists Australian businesses exporting overseas through the provision of financial services. The Government will revise EFIC's mandate to ensure more of its resources are devoted to addressing the market failures that impede Australian small and medium-sized exporters, especially in emerging and frontier markets.

Box 7.7: The Australian Trade Commission in Asia

Austrade is our international trade, education and investment promotion agency. It assists businesses and institutions through the combination of its knowledge of, and connections in, markets, and its status as a government organisation to promote Australian products and services.

Austrade has increased its efforts in high-growth economies, particularly in Asia's emerging and frontier markets where support is most needed, such as Mongolia, western China and Central Asia. It is active in 16 countries across Asia, with 60 per cent of its 558 international staff based there. Austrade has offices in 45 locations in Asia, including 13 in China and 11 in India.

It employs skilled local staff who are supported by a leadership group of 41 Australian trade commissioners, the majority of whom are recruited from the private sector and have Asian business experience and language skills. More than 410 Austrade employees speak one or more Asian languages.

Austrade is seeking to improve the quality of the information, advice and services it provides to Australian businesses that want to capture trade opportunities, including in value chains in Asian markets, as well as to potential investors into Australia and Australian educational institutions that are providing high-quality opportunities for Asian students in Australia or seeking to deliver education and training in Asia.

It is enhancing Australia's reputation through the Building Brand Australia program, which aims to project a more contemporary and holistic image of the nation through the brand identity *Australia Unlimited*. Brand Australia highlights the world-class ideas and achievements of Australian business leaders, academics, scientists, administrators, innovators, creators and social entrepreneurs.

Other measures to support small and medium-sized enterprises will continue to operate. These include the Small Business Support Line, the Small Business Advisory Services program, the Buy Australian at Home and Abroad initiative, Commercialisation Australia grants, and research and development tax incentives. The Government will review these programs regularly to ensure that they respond to shifts in the business environment. Austrade will ensure that the Export Market Development Grants scheme continues to support the changing needs of Australian exporters.

Under the Tourism 2020 strategy, the Government has established a \$48.5 million Asia Marketing Fund to accelerate the promotion of Australian tourism to growing markets in Asia. The fund will be administered by Tourism Australia.

Tourism Australia, together with the States and Territories, is also supporting small and medium-sized tourism enterprises to secure opportunities in Asia through industry missions, trade events and digital promotion connecting to the Australia Tourism Data Warehouse. Product and destination information is currently being translated into Chinese (Mandarin). Austrade is a partner in these efforts through its strategy of targeting Asia to fund the development of new products and services in a number of industries, including tourism.

7.4 Working in the region to strengthen openness

Australia has a solid record of building international coalitions for greater openness. It proposed the establishment of APEC and hosted the first meeting in 1989. Australia was a founding member of the Cairns Group, which was instrumental in achieving a breakthrough in agricultural market access barriers and subsidies at the Uruguay Round negotiations under the General Agreement on Tariffs and Trade. We were an active part of the negotiations that led to China's accession to the World Trade Organization (WTO).

The Government remains determined to strengthen regional and global institutions and architecture to support effective regional economic and financial systems. This will be a carefully considered process, as countries are at different stages of development. We will seek to reduce tariffs and other barriers to trade imposed by countries at the border and beyond. We will constantly strive to increase access for Australian businesses and investment in Asian markets. This will complement our efforts to ensure that Australia remains open to investment from the region.

The stalling of the WTO Doha round, now in its 11th year, and the implementation by G20 economies of 124 new restrictive measures between October 2011 and April 2012 (WTO 2012) are particularly troubling. Some of Australia's major trading partners maintain barriers to our goods, services and investments. We are working hard to reduce these barriers faced by Australian businesses.

The WTO, the G20, APEC, ASEAN and the East Asia Summit will all be important for the emergence of effective regional and bilateral agreements and institutions, and for progressing economic integration. They will drive both greater collaboration in the development of national regulatory frameworks and better understanding of each other's arrangements.

We work pragmatically across these forums to further the opportunities for greater openness and integration as they arise.

National objective

18b. The Australian economy will be more open and integrated with Asia, through comprehensive regional agreements, better aligned economic regulations, greater infrastructure connectivity and enhanced understanding of each country's arrangements. The flow of goods, services, capital, ideas and people will be easier and Australian businesses and investors will have greater access to opportunities in Asia.

Our efforts have a clear focus on reducing administrative, compliance and enforcement costs. To this end, we are engaging the business community and broader institutions, academics, regulators and other experts.

We will continue to work with our neighbours to break down trade and investment barriers and to build a deeper knowledge and understanding of each other's arrangements. The risks that can emerge from greater economic and financial integration, such as greater exposure to negative events in other countries, must be carefully managed.

Effective and stable regional financial and economic systems

The Government will seek full economic and financial integration across the region, supported by the evolution of stable, efficient and well-regulated financial markets. Greater integration requires strong global and regional institutions, with an emphasis on inclusive, rules-based systems.

The G20 is the main vehicle for putting this strategy into practice. Its membership reflects the growing dynamism of the region and the global influence of emerging economies (Chapter 8). It is now the pre-eminent forum for international economic cooperation, with a focus on rules-based and market-oriented approaches.

Australia is hosting the G20 in 2014. We will use this opportunity to promote strong, sustainable and balanced growth, working with other G20 and non-G20 countries and drawing on the interest and expertise of business leaders, academic communities and non-government organisations.

While the East Asia Summit and APEC are at different stages of development, they complement each other. They each offer avenues for nurturing regional support for reform. Efforts across these forums provide Australia with the best chance to shape outcomes that are in Australia's and the regions' interests.

APEC's efforts in pursuing financial reform and regional financial integration are fundamental—the Asia Region Funds Passport initiative and the Asia-Pacific Public-Private Partnership Mentoring Scheme are two examples of the practical changes that can be achieved.

The APEC Business Advisory Council 2012 Report to APEC Economic Leaders recommended the establishment of an Asia-Pacific Financial Forum to promote progress in financial market integration, in support of the region's financial development goals. Australia is hosting an international symposium in 2013, which will bring together private sector leaders and regulators in the financial services industry from across the Asia-Pacific region. The focus will be to explore the Business Advisory Council's recommendation.

APEC leaders reaffirmed their commitment this year to move more rapidly to regional economic integration, including greater exchange rate flexibility, and to intensify efforts to bolster financial sector stability. Australia will work closely with Indonesia and China—APEC hosts in 2013 and 2014—on the agenda for deepening regional integration.

The Government supports ASEAN's plans to formally establish an economic community by 2015, and we welcome ASEAN's proposal to link this community with its external trading partners, including Australia, through the Regional Comprehensive Economic Partnership. We will also seek appropriate opportunities to participate in work underway in the ASEAN+3 grouping and similar forums of which we are not a member. In particular, we remain interested in participating in the financial crisis management fund established by the Chiang Mai Initiative Multilateralisation to support regional financial and economic stability. Similarly, we would seek to join any Asian monetary fund or similar institution that might emerge. This would strengthen Australia's economic, financial and political links with the region, formalise our involvement in regional crisis management and ensure that we could participate in the evolution of regional processes.

Australia is a member of the Asian Development Bank, and supports its contribution to ASEAN regional initiatives. As in the past, we would be a willing participant in resolving regional financial crises if they were to occur.

Further integration of Australia's equity and bond markets with the emerging markets in Asia and with global bond markets is a priority. This will support the development and diversification of Australia's local currency corporate bond market, and provide new opportunities to access the capital pools resulting from Asia's high savings rates.

We are working with China to support the internationalisation of its currency, the renminbi (RMB). Earlier this year, the Reserve Bank of Australia and the People's Bank of China announced a \$30 billion bilateral currency swap agreement, one of the largest such swaps China has entered into.

In July 2012, we announced an annual Australia–Hong Kong RMB trade and investment dialogue, recognising Hong Kong's role as the financial gateway between China and the rest of the world. The dialogue is led by the private sector and focuses on business opportunities arising from the internationalisation of the RMB.

The Australian dollar is currently one of nine currencies convertible with the RMB on the Chinese foreign exchange market; the others are the US dollar, the Euro, the Japanese yen, the British pound, the Hong Kong dollar, the Canadian dollar, the Malaysian ringgit and the Russian rouble.

A further priority is the establishment of direct trading between the Australian dollar and the RMB in mainland China; other currencies that are directly traded at present are the US dollar, the Japanese yen, the Malaysian ringgit and the Russian rouble. We have held preliminary discussions with the Chinese Government to explore how soon direct convertibility can be practicably achieved. We are continuing these discussions, and also exploring other opportunities to work with China to support the internationalisation of the RMB.

We are making reform of infrastructure delivery throughout the region a priority in our cooperation dialogues with regional partners. Our focus is on creating the conditions necessary for both private and public participation in regional infrastructure development. This builds on efforts being advanced through APEC, including the Asia–Pacific Infrastructure Partnership dialogues.

Trade barriers

The WTO has established a set of global trade rules, an internationally recognised system for avoiding or resolving disputes, and seeks to deliver multilateral trade negotiations. Australia has the credentials and incentive to continue to be at the forefront of initiatives for reform in the WTO and the global trading system, deploying diplomatic and non-official (Track 2) processes to secure a robust global trading system.

The WTO is the Government's preferred vehicle for pursuing trade liberalisation. We will continue to identify new pathways for making progress in the WTO Doha Development Round, seeking early outcomes where agreement is close and developing fresh approaches to the more intractable issues.

Australia is pressing hard for the completion of negotiations on trade facilitation. By streamlining and simplifying customs procedures, an agreement on trade facilitation would reduce non-tariff barriers to trade. The trade facilitation agreement is estimated to contribute 44 per cent of the entire benefit of the Doha round, two-thirds of which would accrue to developing countries.

Australia is co-chairing, with the United States, negotiations among 46 economies for an agreement on the liberalisation of trade in services under the auspices of the WTO. This plurilateral agreement, which would cover 70 per cent of global GDP and 70 per cent of global trade in services, could be expanded over time to take in more WTO members. Australia is also participating in discussions aimed at expanding the product coverage and membership of the WTO Information Technology Agreement.

Agriculture remains a high priority for Australia in the Doha round negotiations. Australia will continue working with members of the Cairns Group and other like-minded countries to negotiate reforms to market access, agricultural export policies and farm production subsidies.

Within the Asian region, Australia is negotiating bilateral trade deals with China, India, Indonesia, Japan and South Korea. Successful conclusion of these negotiations, following the signing of a free trade agreement with Malaysia in May 2012 and the negotiation of agreements with Singapore and Thailand by the previous Government, could assist in paving the way for more complete regional economic integration.

By completing the ASEAN – Australia – New Zealand Free Trade Agreement (AANZFTA) in 2009—a high-quality, truly liberalising agreement covering countries accounting for 18 per cent of Australia’s total trade—we have contributed to the development of an important region-wide agreement.

The vision of regional integration is a free trade area that covers the Asia–Pacific. Australia will continue to work through APEC to encourage trade liberalisation by member economies, as has occurred over the past two decades. Average tariffs of APEC members have declined from 16 per cent in 1989 to around 6 per cent in 2010. The agreement of APEC members at Vladivostok in September 2012 to limit tariffs on 54 environmental goods to no more than 5 per cent constitutes further progress towards free trade.

There are different possible pathways to a free trade area of the Asia–Pacific. The Trans-Pacific Partnership Agreement negotiations involve 11 APEC members and membership is likely to continue expanding. Australia will support the November 2012 launch of, and participate in negotiations for, the Regional Comprehensive Economic Partnership involving ASEAN, Australia, China, India, Japan, New Zealand and South Korea.

Negotiations for the Trans-Pacific Partnership Agreement and the Regional Comprehensive Economic Partnership could create momentum for competitive liberalisation and put Australia on two complementary pathways to a free trade area of the Asia–Pacific. Australia welcomes and encourages these processes. We recognise that outcomes agreed in one negotiation that facilitate deeper economic integration will encourage new members to join, and also create pressure to adopt similar liberalisation in competing negotiations.

We also need to be open to other opportunities to position Australia as part of networks of regional trade agreements. For example, four Latin American countries—

Chile, Peru, Colombia and Mexico—have formed the Pacific Alliance for free trade. We will make an assessment of the merits of seeking to join the Pacific Alliance, which is likely to expand to include other countries such as Costa Rica and Canada. If it joined the Pacific Alliance, Australia could form a connecting rod between open trading countries of Latin America and the markets of Asia that might facilitate an open trade agreement.

In negotiating these bilateral and regional trade agreements, Australia supports simple, liberal rules of origin to keep business compliance costs to a minimum and to enable the agreements to be expanded over time towards the ultimate goal of a free trade area of the Asia–Pacific.

Regulatory change and practical assistance

Australia will continue to provide practical advice and technical assistance directly to regional countries to build market resilience and improve access for Australian businesses.

Advocating policy changes beyond other countries' borders in support of open and well-regulated economic and financial markets will remain a priority. We seek greater mutual understanding of national arrangements and a better interface between our regulatory frameworks and those of our neighbours.

We look to collaborate further with other countries in developing regulatory frameworks, and to provide practical capacity-building and technical assistance. Similarly, efforts to promote joint standard-setting work and advocate international standards will continue (Box 7.8).

Box 7.8: Embedding international standards

The International Accounting Standards Board's International Financial Reporting Standards (IFRS) support the cross-border comparison of businesses, investments and commercial opportunities in countries that have adopted the standards.

Australia adopted the standards in 2005 and works to encourage their adoption by other countries. In this context, Australia recognises the importance of ensuring that regional perspectives and the circumstances in particular countries are taken into account as the standards evolve. For example, the technical complexity inherent in the standards complicates their adoption in countries where the accounting profession's capacity is limited by lack of experience and/or scale.

The Asian–Oceanian Standard–Setters Group and the IFRS Regional Policy Forum, both of which Australia supports, are mechanisms through which countries in the region contribute to the international standard-setting process.

The work Australia does with other countries through APEC and the East Asia Summit is important. APEC, with its track record of achievement in strengthening collaboration and building capacity for reform, has much to offer (Box 7.9).

Box 7.9: APEC delivers on reducing trade and investment barriers and building capacity for reform

The APEC Business Travel Card provides visa pre-clearance and express lane airport processing for around 104,000 businesspeople in APEC member economies. Improvements in customs procedures, regulatory cooperation, logistics and infrastructure delivered US\$58.7 billion in savings for businesses in the APEC economies between 2007 and 2010.

In 2010, APEC economies agreed to work towards a regional improvement in cross-border supply chain performance of 10 per cent by 2015. This includes identifying choke points that limit fast, cost-efficient movement of goods and services and addressing them through capacity-building and regulatory reform.

The food security action plan is pursuing sustainable development in the agricultural sector and facilitating investment, trade and markets in the APEC region. Various APEC economies, including Australia, have undertaken specific capacity-building activities to strengthen food security.

APEC's cross-border privacy rules provide best-practice guidance to economies on the design of privacy laws and help to foster regulatory complementarity.

The 2010 APEC New Strategy for Structural Reform has seen Australia and other economies publish individual plans for domestic structural reforms that are designed, among other things, to promote open, well-functioning, transparent and competitive markets. Implementation of the plans will be supported by practical, voluntary cooperation among APEC economies. Australia has taken a lead role by establishing a fund to help APEC economies implement their plans through targeted capacity-building activities.

In 2011, leaders reaffirmed their commitment to the Investment Facilitation Action Plan and agreed on a set of 'non-binding investment principles' covering issues such as expropriation, compensation and dispute settlement. Implementation of the plan is supported through capacity-building and technical assistance.

In 2012, leaders agreed to reduce tariffs to five per cent or less by 2015 on 54 environment products; these include solar cells, wind turbine blades, waste water technologies and renewable energy electricity generating equipment. Lower tariffs will boost trade in green products and help the region move towards a clean energy future.

More recently, leaders have committed to promoting convergence on how APEC economies address transparency in their trade agreements and reaffirmed the need to build good regulatory practice that supports regional economic integration, product safety, supply chain integrity and environmental protection, including through capacity-building.

The East Asia Summit (EAS) also offers scope to secure greater regional regulatory collaboration. The inaugural EAS Finance Ministers' Meeting in 2010 discussed regional cooperation and capacity-building programs that focus on structuring and restructuring financial markets. At the July 2012 EAS Education Ministers' Meeting, two new education cooperation projects were announced, and Australia will take part in both projects. Our efforts will be pragmatic, based on informed discussions with the business community and relevant governments. We are not interested in full harmonisation for its own sake, and recognise that our approach could be one of many possible pathways to a positive outcome.

Australia is already active on many fronts regarding regulatory reform in the region. For example, within the context of APEC's activities, the Australian-initiated Services Trade Access Requirements database helps small businesses expand into regional markets, while the Australian-led Non-Binding Guidelines for the Regulation of Foreign Accountancy Professionals initiative provides best-practice guidance on the design of rules for the accounting profession.

A range of bilateral exchange programs and activities aimed at public sector capacity-building already exist. For example, the Australia Indonesia Partnership for Economic Governance supports partnerships between the Australian and Indonesian government departments responsible for economic governance and public sector reform by funding long-term technical adviser deployments, staff visits and secondments. In 2011, nine Australian Government officials worked in Indonesia on activities to strengthen its investment policy and regulatory environment.

The Productivity Commission is undertaking an innovative 'twinning' program with other APEC economies under the auspices of APEC's New Strategy for Structural Reform. Under the program, the Productivity Commission is sharing with other countries its experience as an independent advisory body to government.

Our Government Partnerships for Development program (previously the Public Sector Linkages Program) links Australian public sector agencies and universities to their counterparts in developing countries and provides direct support for capacity-building work. For example, the Australian APEC Study Centre at RMIT University draws on the program to fund training courses and symposiums for government officials from across the region, focusing on such areas as sustainable economic growth, strengthening financial systems and food security.

Further education and training for financial regulators from Australia and the Asia–Pacific region will be delivered by the Centre for International Finance and Regulation, located at the University of New South Wales.⁴

We offer technical assistance and capacity-building work as part of our free trade agreement negotiations and implementation. AANZFTA negotiations were supported by extensive technical assistance, and the agreement includes a commitment to ongoing economic cooperation (Box 7.10).

Box 7.10: Economic cooperation through trade agreements—AANZFTA

The AANZFTA includes economic cooperation commitments with an associated five-year Economic Cooperation Work Program, which supports ASEAN countries and businesses to implement and use the agreement. Australia is contributing up to \$20 million over five years to the program.

Program activities are approved by the AANZFTA’s Free Trade Agreement Joint Committee. A support unit in the ASEAN Secretariat manages project implementation and often partners with international organisations, including the World Intellectual Property Organization, the UN Educational, Scientific and Cultural Organization (UNESCO), the UN Economic and Social Commission for Asia and the Pacific, the OECD and the World Trade Organization.

Examples of economic cooperation activities in 2010–11 included capacity-building and technical assistance on rules of origin, monitoring the use of tariff preferences, the two-annex approach to the scheduling of investment reservations, intellectual property crime and accession to the World Intellectual Property Organization’s Madrid Protocol, and statistics relating to international trade in services.

The Economic Cooperation Work Program activities are designed to leave a long-lasting legacy. For example, the ASEAN Regional Diagnostics Network will contribute to the system-wide delivery of credible plant pest and disease diagnostic services, and a multiyear project is planned for training patent examiners.

4 The Centre for International Finance and Regulation, established in 2011, is a strategic link between academia, financial regulators, government and the financial industry. It will drive our contribution to the regional and global examination of financial sector developments and the design of regulatory responses to them.

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