



Australian Government

# AUSTRALIA IN THE ASIAN CENTURY



White Paper  
October 2012



## Executive summary

Asia's rise is changing the world. This is a defining feature of the 21st century—the Asian century. These developments have profound implications for people everywhere.

Asia's extraordinary ascent has already changed the Australian economy, society and strategic environment. The scale and pace of the change still to come mean Australia is entering a truly transformative period in our history.

Within only a few years, Asia will not only be the world's largest producer of goods and services, it will also be the world's largest consumer of them. It is already the most populous region in the world. In the future, it will also be home to the majority of the world's middle class.

The Asian century is an Australian opportunity. As the global centre of gravity shifts to our region, the tyranny of distance is being replaced by the prospects of proximity. Australia is located in the right place at the right time—in the Asian region in the Asian century.

For several decades, Australian businesses, exporters and the community have grown their footprint across the region. Today, for Australia, the minerals and energy boom is the most visible, but not the only, aspect of Asia's rise. As the century unfolds, the growth in our region will impact on almost all of our economy and society.

An increasingly wealthy and mobile middle class is emerging in the region, creating new opportunities. They are demanding a diverse range of goods and services, from health and aged care to education to household goods, and tourism, banking and financial services, as well as high-quality food products.

Beyond economic gains, there are many valuable opportunities for building stronger relationships across the region, including through closer educational, cultural and people-to-people links.

Our nation also has the strength that comes from a long history of engagement with countries in Asia. Australia's relationships in our region are strong and robust, including with Asian nations like China, Japan, India, Indonesia and the Republic of Korea (South Korea). But in this Asian century we must enter a new phase of deeper and broader engagement.

This White Paper provides a roadmap for the whole of Australia—governments, business, unions, and the broader community—in this next phase. Our goal is to secure Australia as a more prosperous and resilient nation that is fully part of our region and open to the world.

Australia starts from a position of strength. Just as our region has a lot to offer us, we have a lot to offer our region. We have strong, world-leading institutions, a multicultural and highly skilled workforce, and a productive, open and resilient

economy, which is one of the strongest in the world. These assets have been reinforced by a series of economic reforms and good decisions made over past decades, including Australia's world-beating actions to avoid the worst impacts of the Global Financial Crisis.

Our strengths have long been reflected in Australia's interaction with countries in Asia. Over the past 50 years, Australia's trade with Asia as a share of our total trade has risen dramatically. Our financial, political and cultural links have deepened. We have strong relationships and close friendships with countries across the region.

But Australia's success will be based on choice, not chance. In order to succeed, we must sustain the policy settings and pathways that have served us well. We need to reinforce our strong social foundations, including our national institutions, our cultural diversity and our outward-looking society.

We will need to do more than this—we all need to respond to the rapid changes occurring in our region.

Australians need to act in five key areas in order to succeed in the Asian century.

First, irrespective of how the Asian century evolves, Australia's prosperity will come from building on our strengths. We need to reinforce the foundations of our fair society and our prosperous, open and resilient economy at home. We need to build on areas where we already perform well, in order to extend our comparative advantage. Critical to this will be ongoing reform and investment across the five pillars of productivity—skills and education, innovation, infrastructure, tax reform and regulatory reform.

Second, as a nation we must do even more to develop the capabilities that will help Australia succeed. Our greatest responsibility is to invest in our people through skills and education to drive Australia's productivity performance and ensure that all Australians can participate and contribute. Capabilities that are particularly important for the Asian century include job-specific skills, scientific and technical excellence, adaptability and resilience. Using creativity and design-based thinking to solve complex problems is a distinctive Australian strength that can help to meet the emerging challenges of this century. As a nation we also need to broaden and deepen our understanding of Asian cultures and languages, to become more Asia literate. These capabilities are needed to build stronger connections and partnerships across the region.

Third, Australia's commercial success in the region requires that highly innovative, competitive Australian firms and institutions develop collaborative relationships with others in the region. Australian firms need new business models and new mindsets to operate and connect with Asian markets. We will work to make the region more open and integrated, encouraging trade, investment and partnerships. Firms will adapt their business models to seize the opportunities created in our region.

Fourth, Australia's future is irrevocably tied to the stability and sustainable security of our diverse region. Australia has much to offer through cooperation with other nations to support sustainable security in the region. We will work to build trust and cooperation, bilaterally and through existing regional mechanisms. We will continue to support a greater role for Asian countries in a rules-based regional and global order. Australia's alliance with the United States and a strong US presence in Asia will support regional stability, as will China's full participation in regional developments.

Fifth, we need to strengthen Australia's deep and broad relationships across the region at every level. These links are social and cultural as much as they are political and economic. Improving people-to-people links can unlock large economic and social gains. While the Australian Government plays a leading role in strengthening and building relationships with partners in the region—with more intensive diplomacy across Asia—others across a broad spectrum spanning business, unions, community groups and educational and cultural institutions also play an important role. Stronger relationships will lead to more Australians having a deeper understanding of what is happening in Asia and being able to access the benefits of growth in our region. In turn, more of our neighbours in the region will know us better than they do today.

Success in the Asian century requires a whole-of-Australia effort, with businesses, unions, communities and governments being partners in a transformation as profound as any that have defined Australia throughout our history.

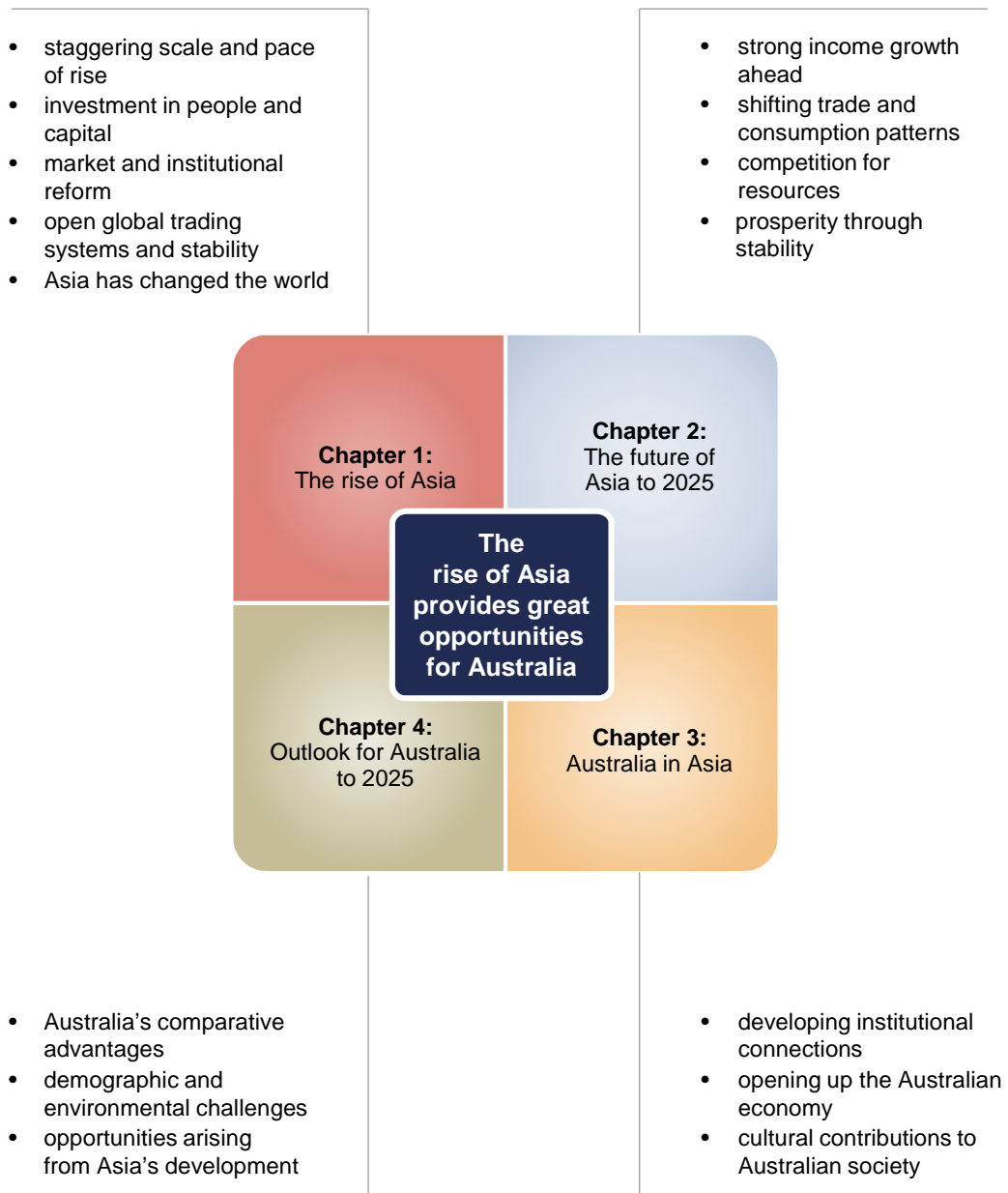
It is in the interests of all Australians—and therefore in the national interest—to develop the capabilities and connections that Australia will need, so that we can contribute to, and learn from, the region, and take full advantage of these opportunities.

The challenges ahead require sustained effort; Australians cannot build stronger relationships or learn new skills overnight, or even over five years, especially given the diversity of the countries in our region. Some actions can be taken immediately, but others require further conversation among communities across the nation, detailed planning and careful implementation over a generation.

Chapters 1 to 4 of the White Paper explain the extraordinary rise of Asia over recent decades and its likely future to 2025 (Figure 1). They examine Australia's place in Asia and our outlook to 2025. This sets the scene for a roadmap for Australia in the Asian century.

Chapters 5 to 9 set out an ambitious set of national objectives and pathways to guide Australia to 2025 (Figure 2). Advancing and implementing these national objectives sets the agenda for taking full advantage of the Asian century, but achieving these objectives will require a concerted and coordinated effort from the entire community.

**Figure 1: Setting the context for the Asian century**





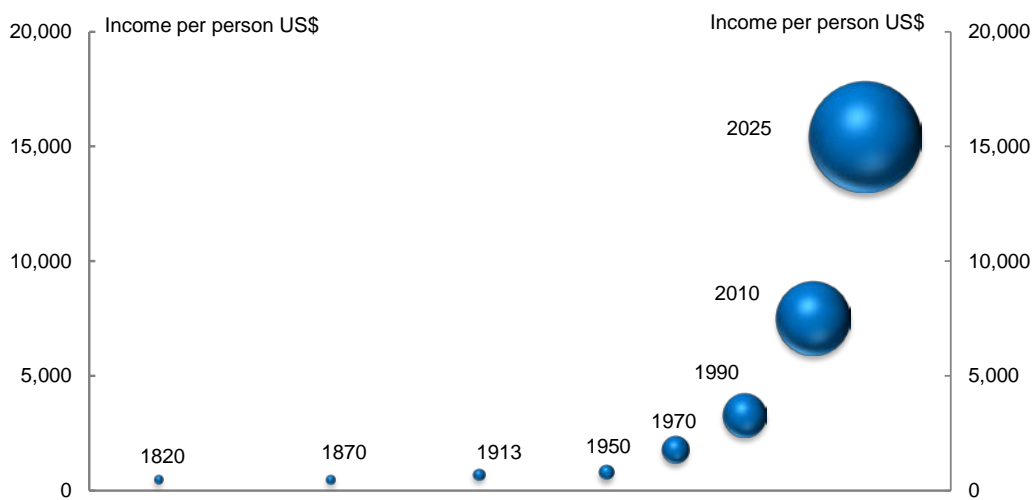
**Figure 2: Roadmap to navigate the Asian century**



## The rise of Asia

The pace and scale of change in the region have been staggering (Chart 1).<sup>1</sup> In the past 20 years, China and India have almost tripled their share of the global economy and increased their absolute economic size almost six times over. By 2025, the region as a whole will account for almost half the world's output. Many millions of people will have been lifted out of poverty. They will live longer and be better connected to the world.

**Chart 1: Asia's economic resurgence is set to continue**



Asia's ability to capitalise on open global markets for goods and services has been crucial to its economic transformation. Central to this has been a widespread commitment to investing in people and physical capital.

Asia continues to develop against a backdrop of persistent global challenges. First among these is the present weakness in major advanced economies, where more moderate economic growth is expected. Second, there are global challenges such as climate change and other emerging challenges in the areas of food, water and energy security. Third, Asia has policy challenges of its own, including the continuation of market-based reforms to promote economically and environmentally sustainable growth, dealing with urbanisation, ageing populations in some countries and developing social safety nets.

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<sup>1</sup> The bubble area in Chart 1 reflects the size of GDP for Asia's economies, adjusted for purchasing power parity in 2011 prices (Maddison 2010, IMF 2012c, Conference Board 2012 and Treasury projections). See glossary for definition of Asia and description of projections.

Asia's economic rise is shifting other dynamics in the region and across the globe. The United States will remain the most powerful strategic actor in Asia for the foreseeable future. But the economic growth and broader international interests of Asia's large powers, especially China and India, are changing the established strategic order. Rising national wealth is allowing states to modernise their defence forces, to acquire more advanced capabilities and to project power. At the same time, economic growth will put more pressure on energy, water and food resources. Existing regional strategic tensions remain, such as North Korea's nuclear program and unresolved territorial disputes. Australia's strategic landscape is becoming more crowded and complex.

The stability and prosperity of our region will depend on how major-power relations evolve, particularly between China, India, Japan and the United States. A degree of competition is inevitable as Asia's strategic order changes. But all countries in the region have a deep investment in stability and economic growth: the complex interdependencies and growing bilateral engagement are strong stabilising forces.

Still, while the likelihood of miscalculation may be low, the potential consequences would be high. These risks are driving bilateral and regional efforts to build trust, dialogue and habits of cooperation in the region, and those efforts are explored in this White Paper.

## Australia in Asia

Australia is in a good position to make the most of the opportunities that will flow from the Asian century. Despite uneven conditions across sectors, Australia has one of the strongest economies in the world and a bright outlook. Unemployment is low. Inflation is contained. The terms of trade are high. While commodity prices appear to have passed their record peak, considerable minerals and energy investment is still to come and large-scale production and exports are yet to flow.

Australia's public finances are among the strongest in the world. Government debt is low. Our financial institutions are sound and we have the highest possible sovereign credit rating. We have a multicultural, highly skilled and creative population that has demonstrated capabilities in innovation and complex problem solving. We have vast natural resources and the know-how and technologies to develop them.

Australia's foreign policy and strategic frameworks have built strong relationships in the region, enabling us to influence regional and, at times, global outcomes.

While Australia has many strengths, we will need to take action to ensure we continually adapt to the rapid changes in our region and transitions in our own economy.

Over the past decade, Asia's demand for Australia's natural resources has created a once-in-a-lifetime surge in our terms of trade and an extraordinary boom in minerals and energy investment. This delivered a substantial increase in national income, even though productivity growth has been modest over the past decade.



While Australia's terms of trade are expected to remain high for some time yet, productivity growth remains critical to lifting living standards in Australia. This requires growth that is broadly based and sustainable.

Our goal is to ensure that Australians have higher incomes in a more diverse economy that is resilient in the face of ongoing change.

The Asian century offers a wealth of opportunities and career choices in a variety of businesses (including small and medium-sized enterprises), especially for Australia's young people:

- in mining and resource related sectors—continued economic development in the region will drive demand for energy and mineral resources
- in tourism, sport, education, the arts and creative industries, professional, banking and financial services, and science and technology—thanks to growing affluence in Asia
- in agriculture—rising food demand, connected to rising populations and an expanding middle class in Asia, offers an opportunity for Australia to be an important supplier of high-value food, requiring greater investment by agribusinesses to boost output and research, adapt to regulatory change and build capacity
- in manufacturing and services—as Australian businesses join regional and global value chains and over time become increasingly integrated and specialised, they will offer high-value and innovative products and services
- in environmentally sustainable growth, natural resource management, infrastructure development, urban design and health and aged care—as Australians leverage their expertise to do business with their neighbours.

To seize these opportunities, Australia must create deeper connections with Asia to broaden the flow of ideas and acquire new knowledge and capabilities. Asia is an important source of new ideas, arts and culture, technologies and leading-edge science. Australia stands to benefit greatly from Asia's advance. Increasingly, we look to measure our performance against standards of excellence in the region.

The arts, culture and creativity can broaden and strengthen Australia's relationships in Asia, both formally and informally. Australia's cultural strengths—as home to the world's oldest living culture, and as a country that welcomes diversity—underpin values of respect, understanding and inclusion that help to connect people, business, institutions and governments.

Two-way people movements between Australia and the rest of the region will further strengthen the fabric of Australian society and our way of life. Australia is well positioned to continue attracting highly skilled and talented people from the region to live, study and work in Australia—just as Australians have much to offer the region in return.

Not all parts of the Australian economy are facing the same opportunities at the present time; some industries and regions are working through difficult transitions. The Government, in partnership with business, unions and the wider community, is committed to targeted support for sectors and regions in transition, including by improving skills and education and helping with access to domestic and international markets.

As some business models are challenged, new development opportunities are opening up in other areas. Australia's regions make an important contribution to the economic, social and environmental fabric of our nation. Regional Australia is home to around one-third of our population. Primary industries, which are concentrated in regional Australia, make up close to two-thirds of our exports. Strong demand from Asia will support development across northern Australia from Western Australia to Queensland, including in Darwin, and in other regions including Tasmania and the Upper Spencer Gulf.

Australia has a track record of managing immense structural adjustments more effectively than many other countries. But the scale of change and opportunity presented by the Asian century is large and enduring; it requires a whole-of-Australia effort across the whole federation. Businesses, communities and institutions all need to lead their own responses to the changing global economy.

All of us will need to work smarter to maximise prosperity and manage challenges well. For the Government, that means continuing what we have done in recent years, by making the right decisions and continuing the proud tradition of reform that has spanned decades.

## Twenty-five national objectives for 2025: a roadmap to navigate the Asian century

The rise of Asia provides great opportunities for Australia. To achieve the vision of a more prosperous and resilient Australia, fully part of the Asian region and open to the world, the Government has identified 25 objectives for the nation for 2025. These national objectives are set out in detail below, along with policy pathways to guide their achievement.

### A productive and resilient Australian economy (Chapter 5)

Together, the objectives and pathways in the roadmap provide mechanisms to strengthen Australia's economy and society.

- By 2025, Australia's GDP per person will be in the world's top 10, up from 13th in 2011, requiring a lift in our productivity.
- This will mean Australia's average real national income will be about \$73,000 per person in 2025 compared with about \$62,000 in 2012.

### *Skills and education*

1. All Australians will have the opportunity to acquire the skills and education they need to participate fully in a strong economy and a fairer society.
  - Australia's school systems will be in the top five schooling systems in the world and our universities and training systems will be among the world's best.

#### *Pathways*

- Improve Australia's early childhood education, schools, universities and training systems as strong foundations for building capability to improve productivity and connections with Asian nations (the full set of pathways is in national objectives 9–13 below).
- Increase participation among groups currently under-represented in the workforce, including through education and training, child care, paid parental leave, employment services and assistance for older Australians, so that more Australians can benefit from the Asian century.
- Continue to develop, through the *Fair Work Act 2009*, and ongoing partnership, a workforce culture in which employees, employers and unions collaborate for continuous improvement and productivity growth.

### *Innovation*

2. Australia will have an innovation system, in the top 10 globally, that supports excellence and dynamism in business with a creative problem-solving culture that enhances our evolving areas of strength and attracts top researchers, companies and global partnerships.

#### *Pathways*

- Through the Industry and Innovation Statement, articulate an ambitious industry and innovation policy agenda for Australian business to create new jobs and seize new market opportunities.
- Through the National Research Investment Plan, provide a framework for investment in Australia's scientific capabilities—including our research infrastructure, Australia's workforce and fostering globalisation—to sustain our ability to help address the global challenges we and the region face.
- Improve financing options for Australia's innovation system to make it easier to attract private investment, encourage entrepreneurship, build on government investment in science and technology and commercialise our ideas.
- Support collaboration across business, the research sector and governments to build scale and capability that encourages innovation, allowing Australia to make the most of emerging opportunities in the Asian region.
- Support Australian researchers to broaden and strengthen their partnerships with the region as Asia grows as a global science and innovation hub.

## *Infrastructure*

3. Australia will implement a systematic national framework for developing, financing and maintaining nationally significant infrastructure that will assist governments and the private sector to plan and prioritise infrastructure needs at least 20 years ahead.
  - Infrastructure investment will support Australia's growing trade and investment with the region, improve productivity and will reduce future congestion costs by billions of dollars a year.

## *Pathways*

- Work, including through Infrastructure Australia, with States and Territories, the private sector and academic institutions, to expand existing infrastructure plans by creating a long-term national infrastructure strategy that focuses on corridor planning, cross-jurisdictional networks and projects of national significance.
  - Work with States and Territories to increase private sector involvement in new infrastructure projects, including removing barriers to investors (including superannuation funds) participating in infrastructure financing, and consider alternative ways to speed up project delivery.
  - Improve the productivity, amenity and liveability of Australia's cities by helping provide transparent and forward-looking analysis to support the States and Territories to deliver on their responsibilities, through forums such as the Standing Council on Transport and Infrastructure.
  - Sharpen rules governing infrastructure provision and use, including by promoting greater competition in retail energy markets, ensuring energy network investment is efficient and avoiding unnecessary costs, as outlined in our forthcoming Energy White Paper, and reviewing third-party access regulation.
4. Australia's communications infrastructure and markets will be world leading and support the rapid exchange and spread of ideas and commerce in the Asian region.
    - The National Broadband Network (NBN) will have bridged geographical barriers to Asian markets, allowing all Australian businesses and households to conduct more of their activities online.
    - All Australians will have access to high-speed broadband through a nationwide fibre network and wireless satellite services.
    - Australia will have high-speed broadband fibre to 93 per cent of premises, rolled out progressively to 2021 and capable of supporting speeds of one gigabit per second.

### *Pathways*

- Complete the rollout of the NBN to enhance digital commerce and productivity and boost trade and wider economic ties with Asia.
- Review and examine regulatory and other barriers to expanding into new technological markets, including through increased use of the NBN.

### *Tax system*

5. Australia's tax and transfer system will be efficient and fair, encouraging continued investment in the capital base and greater participation in the workforce, while delivering sustainable revenues to support economic growth by meeting public and social needs.

### *Pathways*

- Ensure the tax system continues to support businesses to invest and adapt to take advantage of the Asian century, including through measures like the loss carry-back for companies and simpler tax arrangements for small business such as the immediate deduction for assets costing less than \$6,500.
- Ensure that the tax, transfer and superannuation system encourages Australians, particularly older Australians, to participate in the workforce and provides access to a minimum standard of living in retirement.
- Lift the tax-free threshold to at least \$21,000, freeing more Australians from having to lodge a tax return and raising participation in the labour market.
- Facilitate State and Territory-led tax reform, to phase out their inefficient taxes and make better use of their efficient tax bases, including through processes like the State tax plan being developed by the New South Wales and South Australian Treasurers.
- Establish the Tax Studies Institute to provide policy-relevant research that will inform debate about tax reform goals and transitional pathways and provide opportunities for regional collaboration and exchange.
- Continue the national conversation about tax reform with business and community groups, including through processes such as working groups and roundtables.

### *Regulatory reform*

6. Australia will be among the most efficiently regulated places in the world, in the top five globally, reducing business costs by billions of dollars a year.

### *Pathways*

- Progress the six priority areas for major reform to lower costs for business and improve competition and productivity as agreed by the Council of Australian Governments (COAG) in April 2012.

- Enter into a National Productivity Compact with the States and Territories and business to pursue regulatory and competition reform.
- Progress high-value reforms already identified by the Business Regulation and Competition Working Group and the Standing Council on Federal Financial Relations.
- Reduce reporting burdens on business by removing overlaps and expanding the use of online business reporting.
- Through COAG and processes such as the Business Advisory Forum, pursue continuous improvements to lift regulatory performance across all areas of regulatory practice, with a particular focus on the application of risk-based approaches and giving greater attention to reform implementation and enforcement.

### *Environmental sustainability*

7. The Australian economy and our environmental assets will be managed sustainably to ensure the wellbeing of future generations of Australians.
  - Australia will have reduced emissions by at least 5 per cent below 2000 levels and we will be well on our way to securing a clean energy future in which emissions are 80 per cent below 2000 levels by 2050.
  - Australia will be a world leader in implementing sustainable food production methods, in sustainable energy and water use, and in biodiversity conservation.

### *Pathways*

- Fully implement our Clean Energy Future policies, alongside international action, to reduce Australia's emissions intensity and absolute greenhouse gas emissions, through changes to the land sector, developing cleaner energy sources and linking with international carbon trading systems.
- Maintain our commitment to ensuring that 20 per cent of Australia's electricity is generated by renewable energy sources by 2020.
- Continue to support Australia being a world leader in the research and development of solar energy technologies, and becoming a world leader in the commercialisation and deployment of renewable energy technologies and energy efficiency.
- Achieve healthy rivers, strong communities and sustainable food production, including through finalising the Murray–Darling Basin Plan.
- Assess biodiversity impacts of growing demand for Australia's non-renewable resources as part of the review of Australia's Biodiversity Conservation Strategy 2010–2030 scheduled for 2015.



- Implement the world's largest marine reserve network and continue to protect Australia's biodiversity on the land.
- Support the ongoing development and use of environmental accounting in Australia.

### *Macroeconomic and financial frameworks*

8. Australia's macroeconomic and financial frameworks will remain among the world's best through this period of change.
  - Australia will have a strong and sustainable fiscal position and will continue to have a triple-A sovereign credit rating.
  - Australia will have a deep and liquid corporate bond market to harness our national savings so that more investment is domestically funded and we have less reliance on offshore wholesale funding markets.

### *Pathways*

- Maintain the macroeconomic policy settings that have supported Australia's long-term economic growth, including a floating exchange rate, independent monetary policy and a medium-term fiscal framework.
- Meet our fiscal targets of achieving budget surpluses, on average, over the medium term (including through maintaining a 2 per cent annual cap on real spending growth, on average, until surpluses are at least 1 per cent of GDP and while the economy is growing at or above trend) and improving the Government's net worth over the medium term.
- Build further on the strength, stability and competitiveness of Australia's financial system by implementing the Basel III capital and liquidity standards, boosting superannuation balances, and ensuring reasonably priced credit for productive investment and more choice for households.
- Ensure that Australia has an efficient and well-regulated funds management industry, to support strong growth in funds under management.
- Support the development of a deep and liquid domestic corporate bond market by streamlining market disclosure obligations in the retail corporate bond market and reducing transaction costs, while maintaining a high level of protection for retail investors.
- Provide a more visible benchmark price for Australian corporate bonds by allowing Commonwealth Government Securities to be traded on a securities exchange.

## Building capabilities (Chapter 6)

### *Through schools*

9. Australia's school system will be in the top five schooling systems in the world, delivering excellent outcomes for all students of all backgrounds, and systematically improving performance over time.
  - By 2025, Australia will be ranked as a top five country in the world for the performance of our students in reading, science and mathematics literacy and for providing our children with a high-quality and high-equity education system.
  - By 2015, 90 per cent of young Australians aged 20 to 24 years will have a Year 12 or equivalent qualification, up from 86 per cent in 2010.

### **Pathways**

- Legislate and deliver the National Plan for School Improvement, in partnership with States and Territories and non-government school authorities. The plan will ensure that school funding meets student needs and additional funding is used to improve students' results, so that all schools get the funding they need to give students a great education. The plan will improve teacher quality, empower school principals and provide more information to parents and the community.
  - Implement, through the National Plan for School Improvement, the Australian Curriculum in partnership with States and Territories and non-government school authorities to upgrade student skills for the Asian century.
10. Every Australian student will have significant exposure to studies of Asia across the curriculum to increase their cultural knowledge and skills and enable them to be active in the region.
    - All schools will engage with at least one school in Asia to support the teaching of a priority Asian language, including through increased use of the National Broadband Network.

### **Pathways**

- Fully implement the Australian Curriculum, which includes the cross-curriculum priority of 'Asia and Australia's engagement in Asia'. Develop measures to track how Australian students are increasing their knowledge of Asia, in consultation with States and Territories and non-government education authorities.
- Work collaboratively with States, Territories, non-government education authorities and higher education institutions to develop detailed strategies for studies of Asia to become a core part of school education.

11. All Australian students will have the opportunity, and be encouraged, to undertake a continuous course of study in an Asian language throughout their years of schooling.
- All students will have access to at least one priority Asian language; these will be Chinese (Mandarin), Hindi, Indonesian and Japanese.

#### **Pathways**

- Ensure that every Australian student has continuous access to high-quality Asian language curriculums, assessment and reporting in priority Asian languages as a core requirement in the new school funding arrangements to be negotiated between the Commonwealth, the States and Territories, and non-government education authorities.
- Lead a collaborative process with States and Territories, non-government education authorities and tertiary education institutions to develop detailed strategies for studies of Asia and Asian language take-up in schools, including through increased use of the National Broadband Network.
- Work with business and the community to increase understanding of the benefits of learning a foreign language and boost demand for language studies.

#### ***Through universities***

12. Australia will remain among the world's best for research and teaching in universities, delivering excellent outcomes for a larger number of Australian students, attracting the best academics and students from around the world and strengthening links between Australia and the region.
- By 2020, 20 per cent of undergraduate higher education enrolments will be people from low socioeconomic backgrounds, up from 17 per cent in 2011.
  - By 2025, 40 per cent of all 25 to 34-year-olds will hold a qualification at bachelor level or above, up from 35 per cent in 2011.
  - By 2025, 10 of Australia's universities will be in the world's top 100.
  - A larger number of Australian university students will be studying overseas and a greater proportion will be undertaking part of their degree in Asia.

#### **Pathways**

- Progress higher education reform to continue improving the reach, quality, performance and flexibility of Australia's higher education system, including a strengthening of our international education sector informed by the International Education Advisory Council.
- Work with universities to substantially boost the number of Australian students studying in Asia through closer links with regional institutions, and improve financial support and information for students who study in Asia.

- Support universities to increase the number of students who undertake Asian studies and Asian languages as part of their university education, including through increased use of the National Broadband Network and digital technology.
- Encourage every Australian university to have a presence in Asia and establish an exchange arrangement involving transferable credits with at least one major Asian university.
- Support, through the Australian Research Council and other mechanisms, high-quality research by Australian publicly funded research organisations and strengthen research and teaching links between Australian institutions and those in the region.

### *Through the vocational education and training system*

13. Australia will have vocational education and training systems that are among the world's best, building capability in the region and supporting a highly skilled Australian workforce able to continuously develop its capabilities.
  - By 2020, more than three-quarters of working-age Australians will have an entry-level qualification (at the Certificate III level or higher), up from just under half in 2009.
  - Australia's vocational education and training institutions will have substantially expanded services in more nations in the region, building the productive capacity of the workforce of these nations and supporting Australian businesses and workers to have a greater presence in Asian markets.

### **Pathways**

- Work with States and Territories to implement the new National Partnership Agreement on Skills Reform to ensure that more Australians receive higher-quality vocational education and training that responds to industry and student demand.
- Address Australia's changing skills needs through improved planning, investment and delivery, guided by the new Australian Workforce and Productivity Agency, educators and Industry Skills Councils.
- Work with business and Australian industry partners, through regional forums and bilaterally, to build in-country partnerships and to develop complementary skills and qualification assessment and recognition.
- Strengthen networks between Industry Skills Councils, Australian industry and unions, and their counterparts in the region.

### *Asia-capable leaders, workplaces and institutions*

14. Decision makers in Australian businesses, parliaments, national institutions (including the Australian Public Service and national cultural institutions) and advisory forums across the community will have deeper knowledge and expertise of countries in our region and have a greater capacity to integrate domestic and international issues.
  - One-third of board members of Australia's top 200 publicly listed companies and Commonwealth bodies (including companies, authorities, agencies and commissions) will have deep experience in and knowledge of Asia.
  - One-third of the senior leadership of the Australian Public Service (APS 200) will have deep experience in and knowledge of Asia.

### **Pathways**

- Encourage boards to include more businesspeople with direct expertise from within the region.
- Encourage the Australian Institute of Company Directors to integrate Asian cultural competency training into its company directors course.
- Encourage leading peak business organisations to report annually on progress, including through cooperation with the ASX Corporate Governance Council to incorporate into its principles and recommendations reporting on business practices and processes to promote relevant Asian expertise and knowledge.
- Encourage the Australian Council of Trade Unions and the broader union movement to develop greater regional expertise and build stronger partnerships in the region.
- Strengthen the Australian Public Service by improving capabilities for integrated policy analysis, problem solving and implementation across domestic and international matters. A strategy will be developed by the Secretary of the Department of the Prime Minister and Cabinet and the Australian Public Service Commissioner to develop these capabilities.
- Build stronger ministerial relationships through more regular bilateral and regional engagement with counterparts in Asia to pursue policy outcomes.
- Build stronger relationships through interactive programs and regular exchanges of senior officials at mid-career points, including through the university sector.

### *Adaptability*

15. Australian communities and regions will benefit from structural changes in the economy and seize the new opportunities emerging in the Asian century.

#### **Pathways**

- Work cooperatively with industries and businesses to develop strategies to ensure sustainable growth and jobs.
- Work with communities and regions right across Australia to help them manage structural transition, diversify their economies and take advantage of new opportunities that promote sustainable growth.
- Work together with business and the Northern Territory Government to accelerate Darwin's evolution as a sophisticated, liveable city built around a gateway to Asia, and a regional hub for a large number of goods and services, through coordinated infrastructure, planning and international engagement activities. Explore options to extend this strategy to other well-positioned, high-growth centres in northern Australia as well as other regions across Australia with growing links to Asia.

### *Social foundations*

16. Australia will be a higher skill, higher wage economy with a fair, multicultural and cohesive society and a growing population, and all Australians will be able to benefit from, and participate in, Australia's growing prosperity and engagement in Asia.

#### **Pathways**

- Maintain and support Australia's stable, liberal democratic institutions and laws.
- Maintain world-leading social systems, including pensions and family support, and pursue long-term social reforms and investments such as the National Disability Insurance Scheme and health and aged care reform.
- Work with all levels of government, together with businesses and communities, to promote a cohesive and multicultural society through continued commitments to anti-racism policies and Closing the Gap with Indigenous Australians.
- Draw on Australia's diverse population by supporting a wide range of partnerships and networks—with migrant communities, Australians living abroad, people who have previously lived and worked in Australia, and others who have a special connection with Australia and Australians.
- Maintain a flexible, responsive and well-planned migration framework, including Australia's skilled migration programs, that meets our changing needs, maintains opportunities for Australians and supports our engagement in the region.



## Operating in and connecting with growing Asian markets (Chapter 7)

17. Australia's businesses will be recognised globally for their excellence and ability to operate successfully in Asian markets.
  - Australian businesses will offer high-value goods and services as they link into regional and global value chains.
  - Small and medium-sized enterprises will be integrated into Asian markets.

### Pathways

- Develop strong dialogues between government and business here and in the region, including through our Asian Century Business Engagement Plan, to make the most of our opportunities in the region.
  - Ensure that the Department of Foreign Affairs and Trade, Austrade, Enterprise Connect, Tourism Australia, the Export Finance and Insurance Corporation (EFIC) and other government bodies work with peak industry bodies and small and medium-sized enterprises to build capabilities and identify and secure opportunities to compete and succeed in regional value chains.
  - Revise EFIC's mandate to ensure more of its resources are devoted to addressing the market failures that impede Australia's small and medium-sized exporters, especially in emerging and frontier markets.
18. The Australian economy will be more open and integrated with Asia, 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.
    - Australia's trade links with Asia will be at least one-third of GDP by 2025, up from one-quarter in 2011.
    - Australia will be part of comprehensive region-wide agreements that substantially reduce the cost of doing business in Asian markets by lowering trade and investment barriers, better aligning economic regulations and corporate governance arrangements, and enhancing connectivity of infrastructure.
    - Businesses in Australia and the region will have well-developed working relationships based on a good understanding of each other's legal institutions, commercial practices and corporate governance standards.

### Pathways in Australia

- Continue to reduce Australian tariffs through scheduled reductions and negotiated commitments as part of World Trade Organization and other trade agreements.
- Work to reduce unnecessary impediments in Australia's domestic regulations to cross-border business activity, investment and skilled-labour mobility, having regard to the arrangements in place in other countries in the region.

- Work with business, and with partner governments in the region, to improve Australia's border management framework, adopting an intelligence-led risk-based approach that manages threats effectively while reducing impediments to legitimate trade and travel.
- Make it easier for low-risk visitors to come to Australia, through longer period and multiple entry visas and greater use of online visas. To encourage more tourists from emerging markets, from China in particular, the Government will build on the trial of streamlined visa processes for independent Chinese tourists and continue to promote Australia as a preferred destination across the region.
- Continue to welcome foreign investment in Australia and promote Australia as an investment destination, including by engaging major investors and investing nations.
- Continue to enhance the transparency of Australia's foreign investment screening processes.

#### Pathways abroad

- Work persistently to reduce barriers to trade and investment through existing multilateral and regional forums such as the World Trade Organization, the Group of Twenty (G20), the Asia-Pacific Economic Cooperation (APEC) forum, the Association of Southeast Asian Nations (ASEAN) and its free trade agreement partners, and also through bilateral engagement.
- Work towards a free trade agreement of the Asia-Pacific region by encouraging competitive liberalisation in regional agreements, through our ongoing participation in negotiations for the Trans-Pacific Partnership Agreement, and participating in negotiations for the Regional Comprehensive Economic Partnership.
- Promote rules of origin in trade agreements that lower business compliance costs and facilitate trade.
- Assess the benefits of joining with the Pacific Alliance of Chile, Colombia, Mexico and Peru, as part of our efforts to position Australia as a connecting rod between Latin America and Asia.
- Work to increase access for Australian investment in Asian markets.
- Continue to advocate market-based reforms in Asia that promote stable, efficient and open financial markets; for example, through further work towards the establishment of direct trading between the Australian dollar and the Chinese renminbi in mainland China.
- Support efforts towards complementarity of financial market regulations within the region to open up market opportunities; for example, through APEC's financial market integration efforts, including the Asia Region Funds Passport initiative.

- Work with partners in the region on 'behind the border' initiatives to build an integrated and resilient regional economy and open up market opportunities for Australia, especially in our areas of expertise such as infrastructure, agriculture and food, education, health and aged care, finance and regulation of services.

### Australia's agriculture and food sector (Case study)

19. Australia's agriculture and food production system will be globally competitive, with productive and sustainable agriculture and food businesses.
  - Australian food producers and processors will be recognised globally as innovative and reliable producers of more and higher-quality food and agricultural products, services and technology to Asia.

### Pathways

- Implement the National Food Plan to foster an integrated food system where policies along the supply chain benefit food businesses and consumers and ensure Australia is a sustainable and productive supplier of nutritious and affordable food for its people and the world.
- Maintain the rural research and development corporation model to boost productivity through advances in collaboration, science and innovation.
- Increase Australia's participation in Asia's markets through providing services to assist food and agricultural exporters, and support two-way investment with the Asian region in food and food processing, related transport infrastructure, natural resource management and water conservation to drive the development of Australia's regional and remote areas, particularly across northern Australia and Tasmania.
- Use trade negotiations, existing intergovernmental agreements, government-to-government relationships and our overseas network to promote freer trade in agricultural and food products, support food security in the region and improve market access for Australian producers.
- Implement world-class biosecurity reforms that provide for the efficient movement of people and imported and exported goods while protecting Australia's unique environment, the health of our people and our agriculture and food industries.
- Ensure Australian food producers and processors make efficient use of our natural resources, including soil, water and energy, to support productivity growth and maintain the sustainability of those natural resources.

## Building sustainable security in the region (Chapter 8)

20. Australian policies will contribute to Asia's development as a region of sustainable security in which habits of cooperation are the norm.

### Pathways

- Promote cooperative arrangements among major powers in the region—China, Japan, Indonesia, India and the United States—as the economic and strategic landscape shifts.
- Continue to promote fair representation of Asian nations in key international organisations, reflecting their increased economic weight, and encourage these nations to be part of, and help shape, these rules-based institutions.
- Support China's participation in the region's strategic, political and economic development.
- Work with the United States to ensure that it continues to have a strong and consistent presence in the region, with our alliance contributing to regional stability, security and peace.
- Maintain a comprehensive approach to security, including the release of a National Security Statement and a Defence White Paper, informed by this White Paper.
- Maintain Australia's strong support for global, regional and bilateral security frameworks and norms based on the United Nations Charter.
- Work for global economic stability and cooperative major-power relations through the G20, which Australia will host in 2014, with a clear focus on economic growth and jobs, strengthening the global economy and making global rules and institutions effective and relevant in a period of economic change.
- Use global forums such as the United Nations and the G20, including through our hosting of the G20 in 2014 and our membership of the UN Security Council, to strengthen regional relationships and in turn use these relationships to address global and regional issues and strengthen these institutions.
- Work in the region to develop the East Asia Summit as a crucial regional institution in East Asia so that it can help manage regional challenges, foster strategic dialogue and promote cooperation on political, economic and security issues.
- Pursue practical cooperation and build local capability with regional partners across a range of issues such as terrorism, people smuggling, transnational crime, non-proliferation and disarmament, human rights, and disaster mitigation and management.

21. The region will be more sustainable and human security will be strengthened with the development of resilient markets for basic needs such as energy, food and water.

#### Pathways

- Work within the region to support growing international carbon markets, energy, food and water, including by improving regulations that recognise the links across these markets.
- Support the ongoing development and use of environmental accounting in the region through cooperation between national statistical agencies.
- Working within the region, build the capability of the food supply system, including through research and development, to ensure a competitive industry and stronger trade and investment partnerships.
- Build a well-functioning and comprehensive international carbon market by sharing experience and expertise with partner nations, including China, Indonesia, Japan and South Korea.
- Foster a constructive debate and cooperative solutions in global and regional forums on energy markets; and support regional partners to improve energy efficiency and enhance cooperation on research and development, and the deployment and commercialisation of new technology.
- Continue to be a reliable and high-quality development partner through collaborative relationships aimed at reducing poverty and improving sustainability.

#### Deeper and broader relationships (Chapter 9)

22. Australia will have the necessary capabilities to promote Australian interests and maintain Australia's influence.
- Australia's diplomatic network will have a larger footprint across Asia.

#### Pathways

- Work with and through all levels of government, business, institutions and the community to promote Australian interests in the region.
- When circumstances allow, open a full embassy in Ulaanbaatar (Mongolia) and consulates in Shenyang (China), Phuket (Thailand) and in eastern Indonesia.
- Appoint a Jakarta-based Ambassador to ASEAN to support engagement with the ASEAN Secretariat, ASEAN members and ASEAN-related forums.
- Ensure that all government departments and agencies embed international considerations into their domestic policy analysis and implementation and prioritise working relationships with their regional counterparts.

- Support stronger relationships between State and Territory and local governments and their counterparts in the region, including by broadening and promoting sub-national relationships as well as the value of sister-city and sister-state relationships.
23. Australia will have stronger and more comprehensive relationships with countries across the region, especially with key regional nations—China, India, Indonesia, Japan and South Korea.

#### Pathways

- Extend our comprehensive bilateral architecture, with China and India being immediate priorities.
  - Develop bilateral architecture that includes: regular high-level meetings between leaders, senior ministers and senior business leaders; dialogue between young leaders; and substantial flows of people and ideas between institutions, including parliaments, educational and cultural institutions, business and public services.
  - Work with the Australian community to develop comprehensive country strategies, with China, India, Indonesia, Japan and South Korea as the initial priorities. These strategies will set out the objectives and priorities for relationships across the whole community with each country. They will be tabled in Parliament and regularly evaluated and updated.
  - Strengthen Australia's economic and business diplomacy through deeper and more comprehensive bilateral ties between Australian and regional economic agencies, greater Australian involvement in regional economic forums and stronger links between Australian and regional business and Australian-based think-tank and university networks (Track 2 diplomacy).
  - Ensure that the newly reconfigured Australia Network service, combining the resources and experience of Australia Network and Radio Australia, provides an effective public diplomacy tool with a large online component to build knowledge about Australia in the region.
24. Australia will have deeper and broader people-to-people links with Asian nations, across the entire community.

#### Pathways

- Commit to 12,000 Australia Awards (Asian Century) over five years to nations in Asia to encourage people-to-people links with the region.
- Expand work and holiday program agreements with countries in Asia over time, starting with an increase to 1,000 places in the Work and Holiday Visa program we have with Indonesia.
- Extend Australia Awards (Asian Century) offered to recipients in Asia to include work placements and support mid-career sabbaticals in Australia.



- Strengthen the extensive alumni networks of Australian-educated leaders in Asia by providing a focal point for coordinating the networks through an Australia Awards Office.
- Support high-quality private-sector scholarships that bring future Asian leaders to Australia.
- Use the National Broadband Network and digital technology to boost online collaboration between researchers, community groups, students, schools and universities in Australia with their counterparts throughout the region.
- Nurture programs that promote cooperation between Australian and regional faith communities and community organisations.
- Encourage sports, academic, professional and scientific communities in Australia to become fully part of the region through collaboration and partnership arrangements.

25. Australia will have stronger, deeper and broader cultural links with Asian nations.

### Pathways

- Recognise and highlight Australia's unique cultural advantage as home to the world's oldest living culture and one that welcomes great diversity.
- Encourage cultural and arts communities in Australia to become fully part of the region through two-way collaboration and partnership arrangements, including through training and capacity building.
- Re-examine government activities that support artists to achieve success in Asia and promote Australia as a culturally vibrant and open country, including through the Government's consideration of the Review of the Australia Council.
- Revamp the Australian International Cultural Council to better coordinate our support for cultural and artistic organisations to enhance promotion of Australia as a culturally vibrant and open country.
- Work with the media industry, through its representative bodies, to improve its content and coverage of the region to ensure that Australians receive more day-to-day news about major events and issues from across the region. In addition, encourage media exchange programs with the region to build knowledge.
- Request that the Australian Broadcasting Corporation and the Special Broadcasting Service examine how to promote more extensive coverage of the region in all aspects of their content and programming, with special attention to news and information coverage, to ensure that their content reflects the depth and diversity of our connections with the region, including SBS's developing role as a news provider to Asian Australian communities in their languages.
- Strengthen cultural diplomacy and exchange to build trust, understanding and confidence in our cultural, political, security and economic relationships.

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