

PwC Melbourne Institute Asialink Index



Cover image:
Elizabeth, 2004
James Morrison
Oil on canvas, three panels, 100x300cm (overall)
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In a world gripped by economic malaise and uncertainty, Asia has continued a spectacular growth trajectory. For Australia, economic relationships with Asia are now more important than ever – a fact that the Australian public is only beginning to realise. China's recent ascendance to Australia's largest trading partner, followed by the ASEAN bloc and Japan, underlines the significance of the Australia-Asia relationship.

This fourth edition of the *PwC Melbourne Institute Asialink Index* captures these comprehensive changes in a broad-based measure of Australia's engagement with Asia. From trade and investment to tourism and migration, the Index demonstrates our growing regional interdependence as well as areas of concern in our economic relationships.

For the second year we include a range of 'viewpoints' on our engagement with Asia, encompassing trade in Australian produce to the provision of integrated logistics across the region. Peter Fox of Linfox, Robert Kok of the City of Sydney, Westpac's Jenny West, Marcus Moufarrige of Servcorp and Victorian farmer Gaethan Cutri share their insights on the significance of their growing interaction with the Asian region.

The Index this year reflects our growing economic relationships buoyed by surging trade with China. Engagement with our traditional partners Japan and Korea picked up again, while the Indian measure fell largely due to a drop in Indian student visas to Australia. A strong Australian dollar made overseas investment and travel more attractive, while flows into Australia have slowed.

Australia still has a long way to go to unlock the potential of our Asian relationships, particularly with India and Indonesia. Yet the future is promising following the Federal Government's announcement of a white paper on 'Australia in the Asian Century', due for release in mid-2012. There is also evidence that Australian states and cities are forging their own paths, building new business, as well as political and cultural links with counterparts in Asia.

We are proud to bring the strengths of PwC, the Melbourne Institute and Asialink to this now annual endeavour. We hope the *PwC Melbourne Institute Asialink Index* continues to be a tool for policy makers, businesses and the academic community to strengthen our interaction with Asia.

Mr Mark Johnson
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The great transition: Asia's emergence and Australia's opportunity

The Hon. Ted Baillieu, MP
Premier of Victoria

In today's global economy, the 'great transition' is the great fact of our time. From parity less than a decade ago, the output of emerging market economies has already rocketed to almost 145% of the gross domestic product of developed countries, with China and India leading the way.

It is a dramatic transition which tells the story of hundreds of millions of people in Asia lifted from poverty and striving toward prosperity. It makes our Asian neighbours ever more important as trade partners. It means economies like Victoria must change, adapt and build the future in partnership with the emerging giants and dynamic economies of Asia.

Globalisation – the international interdependence that now characterises our daily lives – has created a great opportunity here in our region. Now, the challenge of this young century is to seize it.

Nations remain the dominant building block in the 21st century but states, provinces and cities can play a vital role in building our collective prosperity and in bringing our peoples closer together. As Princeton University's Anne-Marie Slaughter has said, 'the emerging networked world of the 21st century ... exists above the state, below the state, and through the state'.

Victoria is determined to play a dynamic role. The Commonwealth Government has recently commissioned a white paper on 'Australia in the Asian Century'. But when it comes to engagement with our region, Victoria is not waiting to take its cues from Canberra – Victoria is leading.

Victoria was built on the entrepreneurship and innovation of pioneers and migrants. Asia's emergence is creating extraordinary opportunities for our entrepreneurship and our innovation to once again drive our prosperity and growth. But to make the most of this

opportunity, we must be more than just in the right place at the right time.

In grasping the opportunity of our Asian engagement, we stand on the shoulders of predecessors who displayed remarkable foresight. In 1979, just one year after China's government initiated the 'reform and opening' programme that would transform the Chinese economy, then Premier of Victoria Rupert Hamer established a sister-state relationship with Jiangsu Province. This relationship, now 32 years old, has evolved and strengthened to our mutual benefit and provides a framework for ongoing cultural, commercial, educational and government-to-government exchanges. Over time, Victoria's ties with Jiangsu have proven invaluable to expanding business opportunities across China and Asia more broadly. None of this would have been possible without the underlying trust and understanding we have established over the last three decades.

In September, with the Governor of Jiangsu, I signed an agreement that lays out our plans for future cooperation and takes our relationship to a new level. I also announced the introduction of the Hamer Scholarships, which will enable Victorians to study at one of our partner institutes in Jiangsu Province, developing both language skills and cultural literacy. Australia's future engagement with Asia rests on our ability to both communicate with and understand our neighbours and to help them better understand us. The study of Asian languages in Australia has been in gradual decline over the last decade. We cannot be complacent about what this means for our future economic competitiveness.

The Jiangsu partnership and Victoria's other sister-state arrangements with Aichi Prefecture in Japan and Busan Metropolitan City in Korea mean Victoria has valued relationships in each of the great North-East Asian economies. But to succeed in a rapidly changing region, formal

ties must be complemented by raising the standard and depth of Victoria's on-the-ground capabilities, establishing and strengthening vibrant networks and entrenching and growing our knowledge and understanding of Asia's cultures, economies, languages, societies and governments.

Navigating Asian countries' cultural, business and regulatory environments takes time and effort. Government can help and support businesses and institutions as they engage with Asia through information provision, advice and in-country representation. This is why the Victorian Government is increasing its presence in China and India.

We will soon open a State of Victoria Representative Office in Beijing, which will serve as Victoria's permanent 'commercial embassy'. This is in addition to our existing offices in Shanghai, Nanjing and Hong Kong. An additional Victorian Government Business Office will open in Mumbai, India's commercial capital, complementing our existing representation in Bangalore. Existing offices in Tokyo and Kuala Lumpur underscore the premium we place on engagement with Japan and South-East Asia.

There is much more government can do to nurture and create opportunities in Asia. Victoria's trade mission to India in April 2011 was Australia's largest ever to India. It is anticipated to facilitate tens of millions of dollars in exports and investment and the creation of hundreds of jobs over the next two years.

Victoria will be even more ambitious in 2012 with Super Trade Missions to China and India. These will be the largest-ever Australian trade missions to each country, with more than 100 companies and organisations participating in each trip. The missions will create and realise opportunities across industries including food and beverage, urban planning and design, life sciences, education, tourism, ICT, cleantech and energy.

The Super Trade Missions and Government Business Offices are examples of the enabling role of government – bringing partners together to support and extend the people-to-people and business-to-business networks on which shared prosperity ultimately depends.

One example of the dramatic change ahead is China's plan to build a clean economy. The 'strategic emerging industries' identified in China's current Five-Year Plan include electric vehicles, energy efficient products and renewable energy. As UBS' George Magnus has said, the Chinese 'don't have 250 years of industrial infrastructure to pull down before they can rebuild a green economy'. The move to a clean economy in China is both a unique opportunity for Australian and Victorian businesses and an event with significant global implications.

A second example: China's government estimates that Chinese outbound foreign direct investment (FDI) has gone from US\$15 billion in 2004 to more than US\$220 billion in 2010. This puts China at 1.2% of global FDI, on a par with Denmark. There is no doubt that China's outbound FDI will continue to increase in the next decade. The questions for Australia and Victoria are how we will compete for China's FDI, to which industries should we encourage it and what impact will increased capital inflows have on our economy and society.

More broadly, a growing middle class is increasing demand within Asia for tertiary education, tourism and professional services.

For Victoria, prospering through Asia's emergence means doing better what we already do well. *Fortune* magazine's 'Global 500' survey recently identified Melbourne as one of 15 'best new cities for business' in the world. Ten are in emerging economies, with two each in China and India. That is the company we should be in. Keeping us there means improving productivity

and making our economy increasingly open and internationally connected, particularly with Asia.

Connectivity is vital. One reason Fortune singled Melbourne out is our 'diverse labour pool', pointing out that 'about a third of [Melbourne's] growing population was born overseas'. In other words, our multiculturalism gives us a head-start. In Victoria, the open arms of this state welcoming communities from all over the world is part of our core character and core advantage. We must promote multiculturalism and recognise it for the asset that it is.

There is no doubt that people-to-people connections are vital and our greatest asset. In my recent visit to China, I met Victorian professionals and entrepreneurs engaged in the exciting work of building China's cities and meeting the demands of China's consumers. Australians who live and work in Asia have knowledge and insights that can only come from on-the-ground experience. Together with the 'New Argonauts' who studied or worked in Australia before returning to Asia, they are central to our success in realising the opportunities of Asia's emergence.

For all its complexity, Asia's emergence is an unalloyed good. Increasingly, the great issues of our time demand cooperation across borders. This makes it all the more vital that we build partnerships with our Asian neighbours. Government must play its part, and in an emerging Asia we have willing partners. The days when a trade mission to China could be dismissed on the grounds that 'we have never valued ingenious articles, nor do we have the slightest need of your country's manufactures' are long gone.¹

As the world's centre of gravity moves our way, Australia must be more than just in the right place at the right time. The hundreds of millions of people building their own futures in emerging Asia are, and will be, our colleagues, customers and competitors. Our companies, technologies and professionals can enable their continued development. Governments must be agile and forward-leaning to make the most of this unique opportunity and enable greater prosperity for all.

¹ As the Qianlong Emperor famously dismissed Lord Macartney's embassy to China in 1793.

Engagement at a glance

The picture that emerges from this year's *PwC Melbourne Institute Asialink Index* report is consistent with other broad-based indicators of economic activity around the world. Specifically, Australia and Asia have continued to outperform much of the 'rest of the world' (ROW) since the onset of the global financial crisis (GFC). Thus, while Australia's engagement with Asia recorded a small fall of 2.9% in 2010, there was a much bigger fall of 18.3% in engagement with the ROW.

These differing engagement outcomes can be better understood by looking at recent patterns of growth in the global economy. The fallout from the GFC, which commenced in earnest in late 2008, resulted in a major contraction in GDP of 3.4% in the advanced economies in 2009, followed by growth of 3.0% in 2010.² However, growth in developing Asia suffered only a modest slowdown to 7.2% in 2009, with a rebound to 9.6% in 2010. The comparable growth rates for Australia were a slowdown to 1.4% in 2009 followed by a recovery to 2.7% in 2010.³ Thus, Australia and Asia have performed relatively strongly since the GFC, in contrast to the ROW. Having said this, neither Australia nor Asia has been immune to the effects of the problems and instability elsewhere, many of which are ongoing.

Strong economic growth in Asia, combined with the energy and mining resources boom and Australia's close trade and other links with the Asian region, have alleviated the downturn

in the Asia25 Engagement Index. A further significant development in recent years, which is reflected in some of the component indexes in particular, is the significant rise of the Australian dollar – to its highest level against the US dollar since being floated in 1983.⁴ A number of Asian currencies are loosely tied to the US dollar.

Education and tourism engagement with Asia have also made important contributions to overall engagement in the past decade and in 2010. Notably, education exports were Australia's third biggest export earner in 2010, after iron-ore and coal, ahead of personal travel services in fifth place. Rising incomes and strong relative growth in Asia are a major element in these developments.

The beneficial impact of buoyant trade in energy and resources is evident in the strong growth in Australia's engagement with China in 2010. Increases in education and tourism service exports to China have also been impressive. These developments in turn reflect rapid economic growth in China. While overall engagement with India declined in 2010 due to a downturn in education and migration engagement, as the second most populous country in Asia and the world and with significant scope for economic catch-up, the outlook for future growth in engagement with India is positive.

Table 1: Trends in the PwC Melbourne Institute Asialink Indexes of Engagement

Index (1990=100)	1990	1995	2000	2005	2009	2010	% change 2009–10
Asia25	100	182.0	278.6	343.1	442.6	429.6	-2.9
ROW	100	125.1	185.2	171.5	307.9	251.7	-18.3

² IMF *World Economic Outlook*, September 2011.

³ ABS Cat. 5206.0, March Quarter 2011, Table 6.

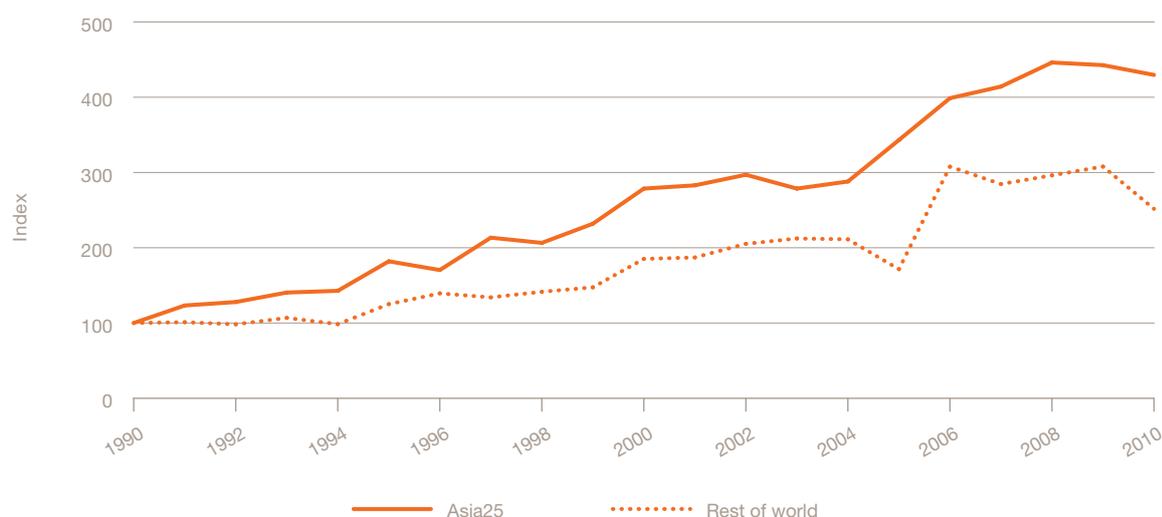
⁴ Compared with its average rate during 2007 and 2008, by end December 2010 the Australian dollar had risen 20% against the US dollar; 29% against the euro; 9% against the Chinese renminbi; 13% on a TWI basis; but had fallen 11% against the Japanese yen. See RBA *Statistical Bulletin* for data.

The developments discussed above are reflected in the individual component, region and country engagement measures, with strong Australian export growth to Asia but not the ROW; a weakening in net inward investment to Australia from both Asia and the ROW; a decline in incoming tourists from the ROW but not Asia and large numbers of Australians travelling abroad; strong growth in outgoing student numbers but weak growth in incoming students; and significant declines in immigration.

Index in brief

- Australia's **trade engagement with Asia** made a strong contribution to overall engagement in 2010. In particular, trade in goods and services with China grew by 18.3%, reflecting export growth of 19.2%, which exceeded imports growth of 16.9%.
- In keeping with this, overall engagement with **China** grew by an impressive 16% in 2010, driven largely by a surge in two-way trade, education and tourism engagement.
- Despite the above, Australia's **trade surplus with Asia25** declined by 7.8% in 2010, with growth in imports from Asia more than double the rate of growth in exports, possibly reflecting the strength of the Australian dollar.
- Asia's net investment in Australia declined sharply in 2010, while growth in **Australia's net investment in Asia** picked up to 6.4%. There was a sharp decline in the net investment inflow from and outflow to the ROW.
- While China now dominates Australia's trade in Asia (and the world), **Japan comes a close second and is also Australia's preeminent investment partner**. Japan accounts for more than half of the net inward investment to Australia from Asia and around 15% of total inward investment.
- The growth in **international students** coming from Asia and elsewhere to study in Australia slowed further in 2010. However, the number of Australians travelling overseas to study, especially to Asia, jumped strongly such that overall engagement rose. There was a 29.1% increase in Australian students travelling to Asia in 2010, and a 12.8% increase in students travelling to the ROW; the strength of the Australian dollar would have made studying abroad more affordable for Australian students.
- While engagement with China, Japan, Indonesia and South Korea grew strongly in 2010, engagement with **India** suffered, reflecting the decline in Indian education and migration engagement.

Figure 1: PwC Melbourne Institute Asialink Index



Key findings from the seven engagement components

- Consistent with the recovery in world economic growth global trade rebounded in 2010, following a sharp fall in 2009. Australia's **trade engagement with Asia and the ROW also rose in 2010: trade with Asia25 was up by 9.3%** driven by a 13.6% rise in imports and a 6.4% rise in exports; and trade with the ROW grew more modestly by 1.6% reflecting an increase of 9.4% in imports and a fall in exports of the same magnitude.
- **Investment** engagement with Asia decreased sharply in 2010 by 30%, due largely to a fall in net inbound investment. There was also a sharp fall in net investment flows to and from the ROW. The general downturn in net inward investment may partly reflect the sharp rise in the Australian dollar, as well as weak economies in the ROW.
- Australia's **research and business development** engagement with Asia25 as a group rose by 2.3% in 2010, having fallen in three of the previous four years. Engagement with the ROW fell modestly by 2.4% in 2010, reflecting relatively subdued business conditions outside Asia.
- There was a modest recovery in the rate of growth of **education** engagement with Asia to 6.5% in 2010, which was almost in line with engagement growth with the ROW of 6.6%. Growth in engagement with Asia was dominated by an outflow of visitors to Asia from Australia for education and conference purposes; the inflow rose only modestly by 2.7%.
- **Tourism** engagement with Asia grew by a hefty 15.7% in 2010, with over four million traveller movements. Outgoing movements made up 61% of these, compared with just 37% in 2005. There was particularly strong growth of 18.4% in outgoing movements in 2010 – the strength of the Australian dollar would seem to be encouraging Australians to travel abroad.
- There has been a significant shift in the pattern of **migration** engagement with Asia since 1990, with China and India now dominating engagement whereas 20 years ago it was Hong Kong and Vietnam. Migration engagement with both Asia and the ROW fell in 2010. Australian migration to and from Asia remains considerably below that with the ROW.
- Australian **humanitarian assistance** engagement with Asia escalated during the East Asian financial crisis in the late 1990s, and spiked again following the Indian Ocean tsunami in December 2004. Despite more recent declines, Australia's humanitarian assistance to Asia continues to outweigh assistance to the ROW.

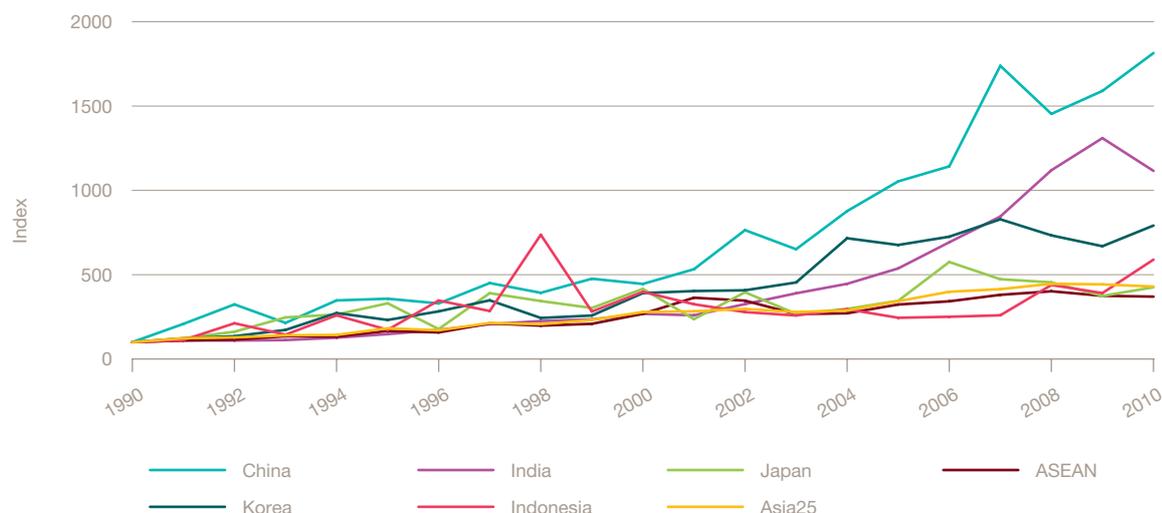
Table 2: Components of the PwC Melbourne Institute Asialink Index

Component	1990	1995	2000	2005	2009	2010	% change 2009–10
Trade (A\$bn) [†]	96.5	135.0	187.5	250.9	323.2	353.1	9.3
Investment (A\$bn) [†]	8.2	31.5	45.5	32.0	60.0	42.0	-30.0
Research and business development (1990=100)	100.0	170.1	272.4	312.4	268.7	275.0	2.3
Education (*000 persons) [‡]	92.3	176.2	284.5	407.8	528.0	562.1	6.5
Tourism (*000 persons) [‡]	1,187.9	2,205.1	2,434.9	2,957.9	3,541.1	4,096.1	15.7
Migration (*000 persons)	58.4	39.8	41.2	59.8	84.3	76.1	-9.7
Humanitarian assistance (1990=100)	100.0	137.8	213.5	293.7	272.1	267.5	-1.7

Notes: † Values are in constant 2008–09 prices. ‡ The indicators comprising the education and tourism components have been selected so that they are weighted according to their impact on engagement. This implies that the indicators are not strictly additive.

Figure 2 below shows the growth in engagement between Australia and the major economies in the region.

Figure 2: Major economies



Key findings from the economies analysis

- The PwC Melbourne Institute Asialink Index of Engagement with the ASEAN group of countries fell by 1.3% in 2010, following a slightly bigger fall the previous year. These falls (which follow five consecutive years of steady increases in engagement) reflect declines in investment and migration engagement.
- China's economic growth continued to outpace that of the other major countries and world average growth in 2010. Australia was well placed to benefit from Chinese growth through energy and resource exports, amongst other things. This was reflected in a further strong increase in bilateral engagement of around 16% in 2010.
- Australia-India engagement fell by 13.8% in 2010, in large part due to a downturn in education and migration engagement in that year, as well as a smaller downturn in trade engagement. As with China, scope for economic catch-up and strong growth will provide substantial opportunities for increased bilateral engagement in the years to come.
- Australia's engagement with Indonesia rebounded by 53.2% in 2010, driven by trade, tourism and education. The latest rise seems to confirm an upward trend in the past five years or so. Indonesia's relatively small investment and trade shares for Australia belie the importance of the Indonesian relationship.
- The Australia-Japan Engagement Index continued to trend higher from 1990. After three years of declines, engagement with Japan grew by 13.4% in 2010 due primarily to a pick-up in trade, investment, education and tourism engagement. Japan remains Australia's second biggest trading partner and major investment partner (due mainly to inbound investment in Australia) in Asia.
- Having fallen in the preceding two years, the Australia-South Korea Engagement Index rose by 18.3% in 2010, largely reflecting increases in trade, research, tourism and humanitarian engagement. South Korea is Australia's fourth largest trading partner.

A note on the Engagement Index

Apart from the seven key components addressed in this report, there are other important ingredients in Australia's Asian relations not covered by the Engagement Index. These include: ministerial and other official visits between Australia and Asian countries; the treaties and agreements signed; defence, police and intelligence cooperation; cultural collaboration; twin-city agreements; cooperation among NGOs and professional organisations; and much more.

Understanding the Index

The PwC Melbourne Institute Asialink Index of Engagement provides a measure of two-way 'engagement' between Australia and Asia over the period 1990–2010. In providing this analysis we assess both the level and rate of change across seven components and 25 economies.

List of seven components

- Trade
- Investment
- Tourism
- Education
- Research and business development
- Humanitarian assistance
- Migration.

List of Asia25 economies

- ASEAN (Indonesia, Singapore, Malaysia, Thailand, Vietnam, Laos, Cambodia, Brunei Darussalam, The Philippines and Burma)
- South Asia (India, Pakistan, Bhutan, Sri Lanka, Nepal, Maldives and Bangladesh)
- East Asia (People's Republic of China, Hong Kong, Chinese Taipei, Macau, Mongolia, East Timor)
- North East Asia (Republic of Korea [South Korea], Japan).

Although there is no single objective way of measuring engagement, this report focuses on seven important and quantifiable measures. The Index is an unweighted average of these seven components, each of which has a base year of 1990=100.

The analysis of the components, however, presents some components in terms of monetary value (the Trade and Investment measures) and some in terms of number of persons (the Education, Tourism and Migration components). Research and business development, and Humanitarian assistance are presented in index format.

More details are provided in Appendix 1.

Trade

The Trade component of the Index of Engagement provides stark evidence of the increase in the relative importance of Asia to Australia's trade and economic performance in the past decade. As shown in the figure below, engagement with Asia overtook that of the ROW in 2004 and has since powered ahead. Australia's trade engagement with Asia grew in 2010 to a level 44.4% above that of trade with the ROW.

The 2010 rise in Australia's trade with Asia and the ROW followed declines in 2009 associated with the global financial crisis. The volume of trade with the Asia25 group of countries rebounded strongly in 2010 by 9.3%, more than offsetting the fall in 2009. Trade with the ROW rose more modestly by just 1.6% in 2010 and remained below the 2008 level.

Australia's trade with Asia continues to be dominated by energy and mineral resource exports, in particular to our largest trading partner, China. Trade with China rose by 18.3% in 2010 following slightly stronger growth in the previous two years. Meanwhile trade with Japan, now Australia's second largest trading partner, also rose strongly by 5.0%. Trade with ASEAN was up 4.7% in 2010 and trade with Korea rose by 15.0%.

Australia's exports of goods and services to Asia rose by 6.4% in 2010 to \$206.8 billion (in constant 2008–09 prices), more than double exports to the ROW. Meanwhile imports from Asia rose by 13.6% in 2010 – evidence of the strength of the two-way trading relationship. Asia provides just over half of Australia's imports, which are dominated by mineral fuels and machinery and transport equipment. Steady economic growth and the strength of the Australian dollar facilitated solid growth in imports in 2010. Three of Australia's five biggest single trading partners, accounting for around one-third of total trade, are located in Asia (China, Japan and Korea); when ASEAN as a group is added, this share increases to almost half of Australia's total trade. The United States and the European Union account for just under 10% and 15% respectively of Australian trade.

Figure 3: Trade component

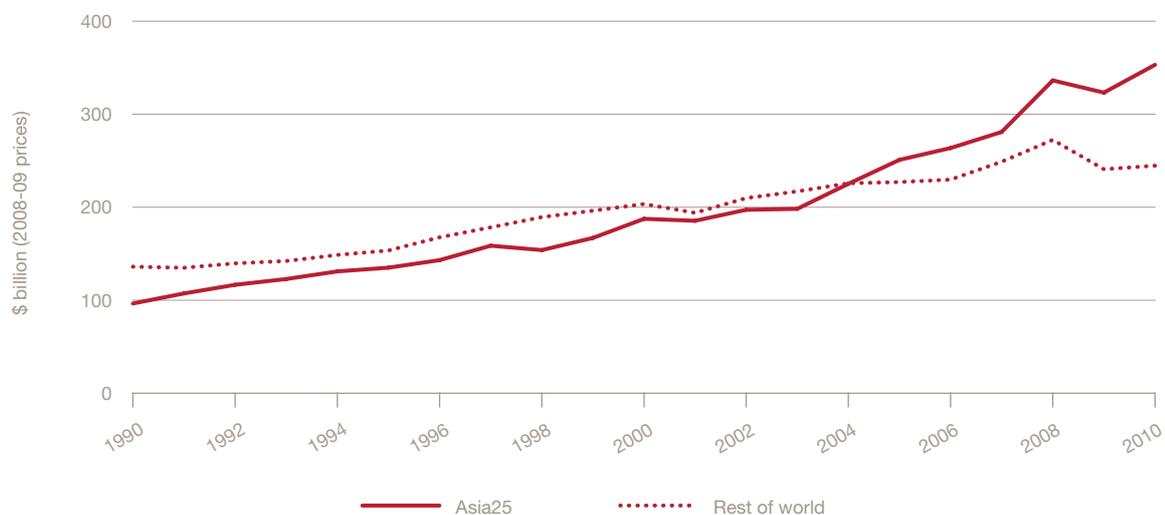


Table 3: Trends for Trade component (imports and exports, A\$bn)[†]

	1990	1995	2000	2005	2009	2010	% change 2009–10
Asia25							
Imports	29.1	38.1	60.8	101.3	128.8	146.3	13.6
Exports	67.4	97.0	126.7	149.6	194.4	206.8	6.4
Total	96.5	135.1	187.5	250.9	323.2	353.1	9.3
ROW							
Imports	59.6	71.3	89.6	119.3	140.7	153.9	9.4
Exports	76.5	82.2	113.8	107.7	100.1	90.7	-9.4
Total	136.1	153.5	203.4	227.0	240.8	244.6	1.6

Notes: † Values are in constant 2008–09 prices.

Demand for Australian energy and mineral resources continued to increase strongly in 2010, in particular demand for major exports such as iron-ore, energy, coal and other minerals such as copper. The value of Australia's iron-ore exports (our biggest export earner) rose by 64.3% in 2010, while the value of crude petroleum and natural gas exports rose by 46.4 and 23.6% respectively.⁵ While volumes rose, in part these huge increases reflect increases in the US\$ quoted prices of the commodities, although the rise in the Australian dollar partially offset the benefit of this. Most resource and agricultural commodities have historically been priced and traded in international markets in US\$ terms. The Reserve Bank's non-rural commodity price index rose by 26% in US\$ terms during 2010, but after taking account of exchange rates this reduced to a 15% rise in the equivalent A\$ commodity price index.⁶

China, India, Japan and Korea are the most important export markets for Australian energy and resources, and this is set to continue in the coming years. The Gorgon Liquefied Natural Gas (LNG) Project (a joint venture between Chevron and Exxon with small ownership shares by three Japanese companies, and Australia's single largest ever resource investment) has signed a range of long-term contracts to supply LNG throughout Asia.

China, India and Japan are also big investors in energy and resources – Japan for many decades, with investments in mining and LNG, but China and India more recently. Such investments in Australia frequently facilitate subsequent exports.

Services exports generally, and to Asia in particular, have become increasingly important in the past decade. Education and tourism exports were the third and fifth single most important exports in value terms in 2010, and much of this related to exports to Asia. Services accounted for 18% of total goods and services exports in 2010 and 19.6% of total trade, meanwhile the services sector represents the largest part of the Australian economy, accounting for around 80% of GDP.⁷

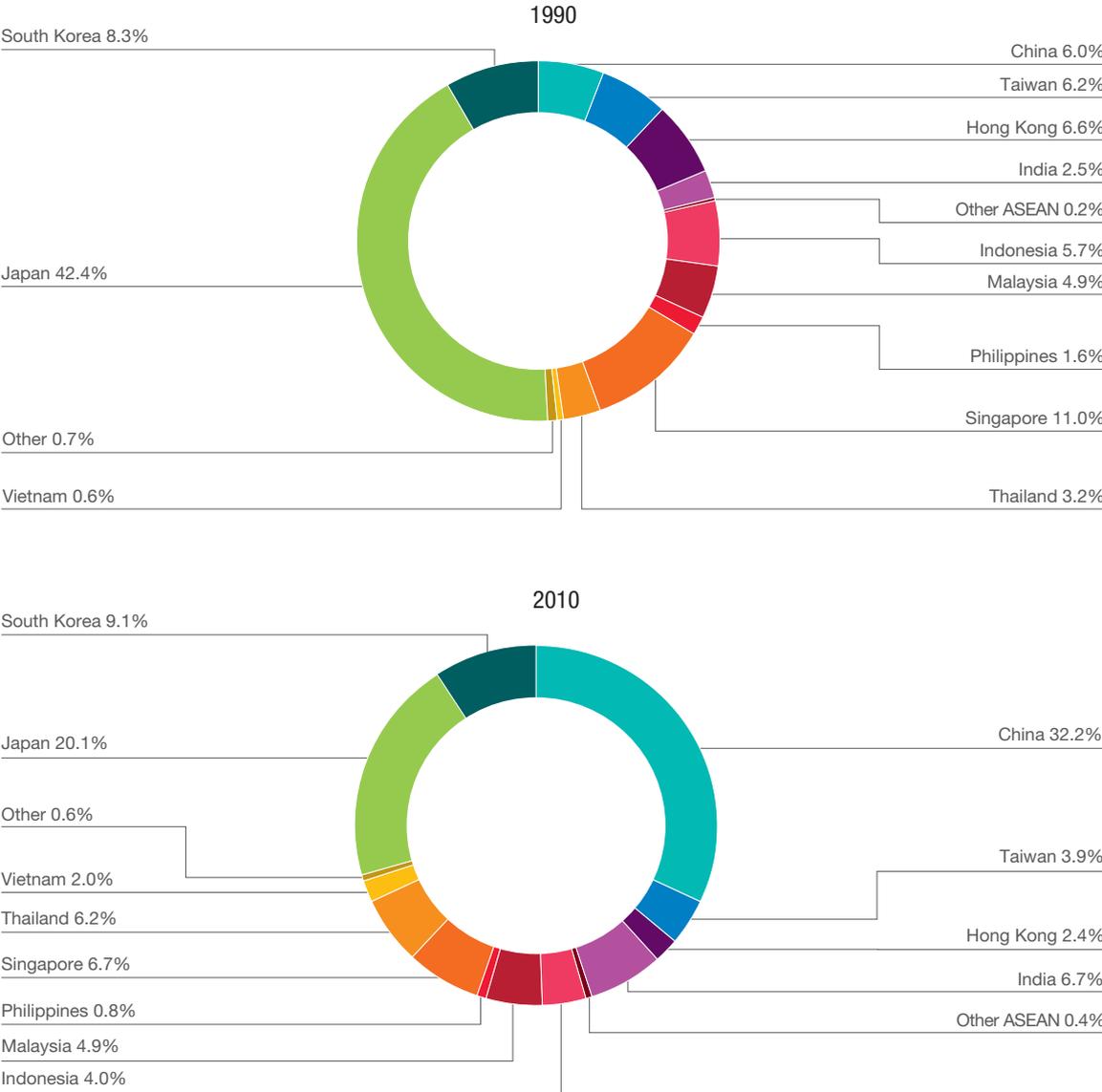
⁵ DFAT *Composition of Trade* 2010 Table 2.

⁶ RBA Index of Commodity Prices, RBA *Statistical Bulletin*. See footnote 4 (Engagement at a glance) for recent Australian dollar exchange rate movements against major currencies.

⁷ DFAT *Composition of Trade* 2010 Table 1.

The figure below shows the change in the composition of Australia's trade in goods and services with Asian countries from 1990 to 2010. The growth in trade with China stands out, with India's share also increasing considerably. Meanwhile Japan's share of Australia's trade with Asia has more than halved in the past decade.

Figure 4: Trade shares by economy⁸



⁸ 'Other ASEAN' includes Burma, Laos, Cambodia and Brunei Darussalam. 'Other' includes Sri Lanka, Maldives, East Timor, Macau, Bhutan, Nepal, Mongolia, Bangladesh and Pakistan.

Key findings for Trade component

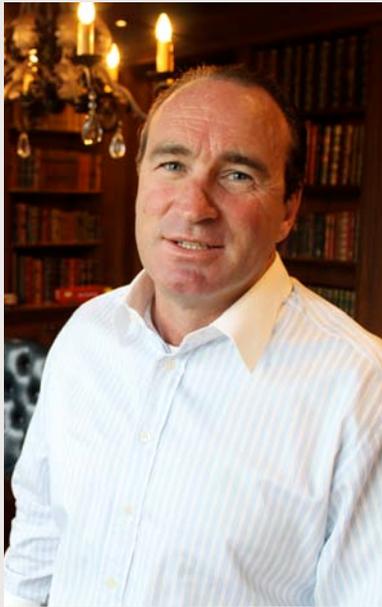
- Australia's trade with Asia recovered by 9.3% in 2010 following a fall the previous year; trade with the ROW recovered more modestly by 1.6%.
- Australia ran a trade surplus (exports of goods and services less imports) with Asia of just over \$60 billion in 2010, but had a more-than-offsetting trade deficit with the ROW of just over \$62 billion.
- Merchandise goods dominate Australia's trade account in general and with Asia: goods exports accounted for 88% of total goods and services exports in 2010.
- Resource sales (in particular iron-ore and coking coal) to China continue to be important and contributed to strong export growth of 19.2% in 2010, outpacing import growth of 17%. Resource exports to Japan, India and South Korea are also significant.
- Largely reflecting this, Australia runs a trade surplus with both China and Japan, but trade deficits with ASEAN, South Korea and India.
- Growth in Australia's imports of goods and services from Asia25 and the ROW (of 13.6% and 11.4% respectively) outpaced growth in exports to these two regions (of 6.4% and 1%) in 2010. This is evidence of the two-way nature of these important trading relationships, as well as the ongoing strength of the Australian economy in the face of instability elsewhere in the developed world.

What 'Trade' measures

This component comprises the following trade data in constant price terms (ie deflated by the import and export price deflators):

- the value of the imports of goods and services into Australia by source country
- the value of exports of goods and services from Australia by destination country.

An intergenerational play



Peter Fox
Chairman, Linfox Group

When most Australians think of Linfox, they think of iconic big rigs rumbling across the outback. But the company has very much crossed the seas, servicing huge clients across some of the region's biggest markets.

Linfox has doubled in size over the past four years. How much of this growth is attributed to your Asian operations?

The lion share of the growth has come from Asia. Our business is operating throughout 12 countries in the Asia-Pacific region. In fact, today we have a greater number of Asian employees than we do Australian. Our business has significantly expanded throughout Southeast Asia and we also have a presence in both India and China. There's no doubt that the Asia-Pacific region is a place in the world where we not only partake – but where we see significant new opportunities in the 21st century.

What are some of the challenges of operating across diverse Asian markets?

That's a big question. The challenges are absolutely endless. Take India for example – it has the legal systems that the western world is familiar with, but each province has local governments with their own nuances. Another example is China – it has a plethora of provinces, each requiring different registrations on vehicles. You can't just buy a business and think you can operate in Asia or Southeast Asia or any of these individual countries. Every one of them has different nuances to how they operate.

“Our investment – if not for decades – is an intergenerational play.”

While the rise of China and India have gathered the most attention, Linfox has succeeded in expanding in emerging economies like Thailand. What is attractive about these markets?

Thailand has been a really successful market for us. Over 20 years we have built a business over there that is now worth over a couple of million dollars of revenue.

Vietnam has the prospects and I believe will have the prosperity in the next 20 years to similarly match if not surpass the development that has taken place in the Thai market for us. I find the attractiveness of Vietnam to be its geographic location and its very literate population. It has a very strong and emerging middle-income earning class – and they are very hard working. What Vietnam does lack is infrastructure and it lacks the standards of common utilities that we take for granted in Australia.

Likewise, Indonesia has a very large population, albeit spread across so many islands. Indonesia now has a more stable government. We see very large prospects in Indonesia.

One thing about Linfox as an organisation is that we typically work with the multinational companies such as the ‘Proctor and Gambles’, the ‘Unilevers’, and the ‘Tescos’. It is those organisations that we target as customers, rather than the local companies. We do business with local companies, but our focus is on the multinational food, retail and industrial companies.

Are language skills and cultural understanding important to business success in Asia?

I don’t think it is language that is the barrier, rather, it’s an understanding. Australia has an enormous advantage. We’re not seen as American, we’re not seen as English. I think we’re quite reserved – we’re not loud-mouthed in our ways. The Japanese will always put up a façade when you meet with their people in Tokyo, but I think if you get them out of their environment – whether in a sulphur spring out in country Japan or it’s them visiting us in Australia – they absolutely warm to the Australians. They like us – as do the Chinese – as do the Thais – as do the rest of the people in Southeast Asia. The language is initially a barrier, but you can get past that when they get an understanding of who you are. Our organisation is a family-owned business and our Asian colleagues appreciate the tradition of a family-owned organisation – and the family values that Linfox espouses. They actually warm to us and have a respect for who we are.

What is the biggest lesson you have learnt from working across Asia?

I think the advice to any organisation wanting to build a presence in Asia is to be patient with the returns on the capital that you invest. Our investment – if not for decades – is an intergenerational play. The benefits may not be reaped within this decade. We’ve been in Asia now for over 20 years. The decision we made to build our business and expand in the Asia Pacific has been the right one. I think we’re lucky that we don’t have a presence in the European or American markets. It won’t just be my generation that reaps the benefits of our geographic footprint. It will be the next generation of Fox’s that will see the benefit from the foundations that we’ve laid in the region.

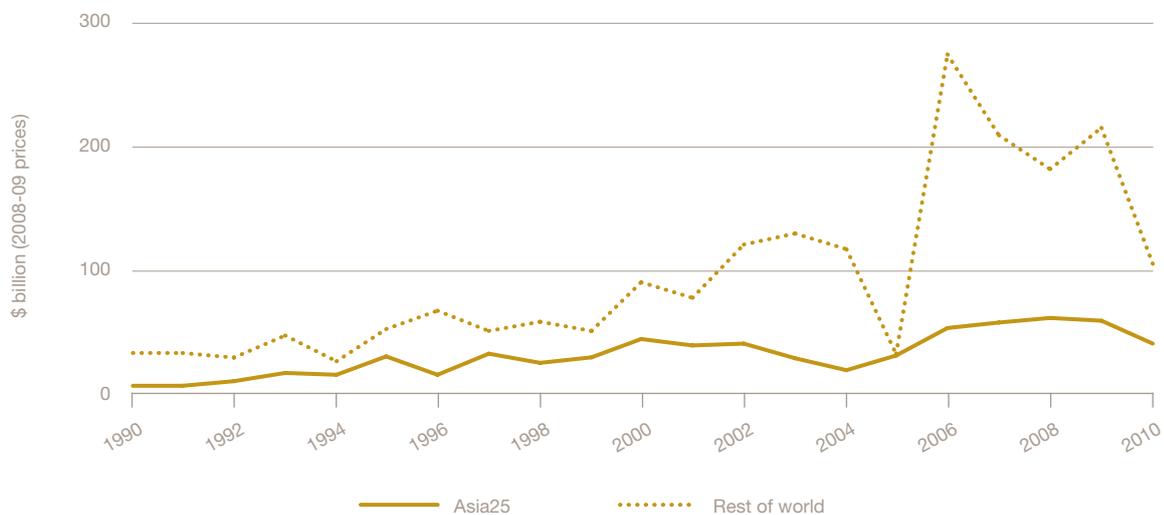
Investment

In contrast to the trade outcome, the Investment component of Australia's engagement with both Asia and the ROW fell in 2010, by 30.0% and 50.7% respectively.

There were sharp falls in the net inflow of investment to Australia from Asia and the ROW in 2010 – of 42.8% and 45.9% respectively. Meanwhile, the net outflow of investment from Australia to Asia rose by 6.4%, but net investment in the ROW fell sharply by almost 57% – this fall likely reflects ongoing negative investment prospects in the wake of the global financial crisis.

While the fall in the net inflow of investment to Australia from the ROW is also consistent with the latter point, this doesn't explain the downturn in the investment inflow from Asia, where economies were more buoyant in 2010. The general downturn in net investment inflows may in part reflect the sharp rise of the Australian dollar, which escalates the cost of investment, as well as general global economic uncertainty related to the fallout from the GFC.⁹ With many Asian currencies loosely tied to the US dollar, investment in Australia will have become significantly more costly.

Figure 5: Investment component¹⁰



⁹ See footnote 4 (Engagement at a glance) for recent Australian dollar exchange rate movements against major currencies.

¹⁰ The significant shift in ROW figures from 2003 to 2005 was the result of News Corporation's shift of incorporation from South Australia to Delaware in the United States. This reorganisation was recorded as a transaction which both reduced Australian investment abroad and reduced overseas direct investment in Australia. See FIRB 2008–09 Annual Report, page 55; ABS Cat. 5352.0 *Investment Position*, Australia: Supplementary Statistics, 2009.

Table 4: Trends for Investment component (inflow and outflow, A\$bn)[†]

	1990	1995	2000	2005	2009	2010	% change 2009–10
Asia25							
Inflow	4.8	19.2	24.0	9.4	44.4	25.4	-42.8
Outflow	3.4	12.3	21.5	22.6	15.6	16.6	6.4
Asia25 Total	8.2	31.5	45.5	32.0	60.0	42.0	-30.0
ROW							
Inflow	26.6	36.9	57.6	42.3	121.8	65.9	-45.9
Outflow	8.4	16.7	33.9	-8.6	93.9	40.5	-56.9
ROW Total	35.0	53.6	91.5	33.7	215.7	106.4	-50.7

Notes: † Values are in constant 2008–09 prices. Investment series comprises transactions only and thus excludes non-transaction changes in a country's asset position due to price changes, exchange rate changes and other adjustments. See ABS Cat. 5331.0 for a more detailed explanation.

Japan has come to dominate Australia's two-way investment engagement with Asia in the past decade, accounting for 41.9% of total investment flows in 2010. This two-way investment is in turn dominated by Japanese investment in Australia, which accounted for 76.7% of total two-way investment in 2010. Much of this investment has been in energy and mineral resource development, consistent with the escalation in resources prices since the early 2000s.

Hong Kong is the second most important investment 'partner', accounting for 13.1% of Australia's total investment flows with Asia. Hong Kong is followed by India, China and Singapore in that order, all with similar shares of the investment 'pie' of around 7% to 8%.

While two-way investment flows between Australia and Japan increased by 23.9% in 2010 from 2009, quite large falls were recorded for all of the other above-mentioned countries with the exception of India.

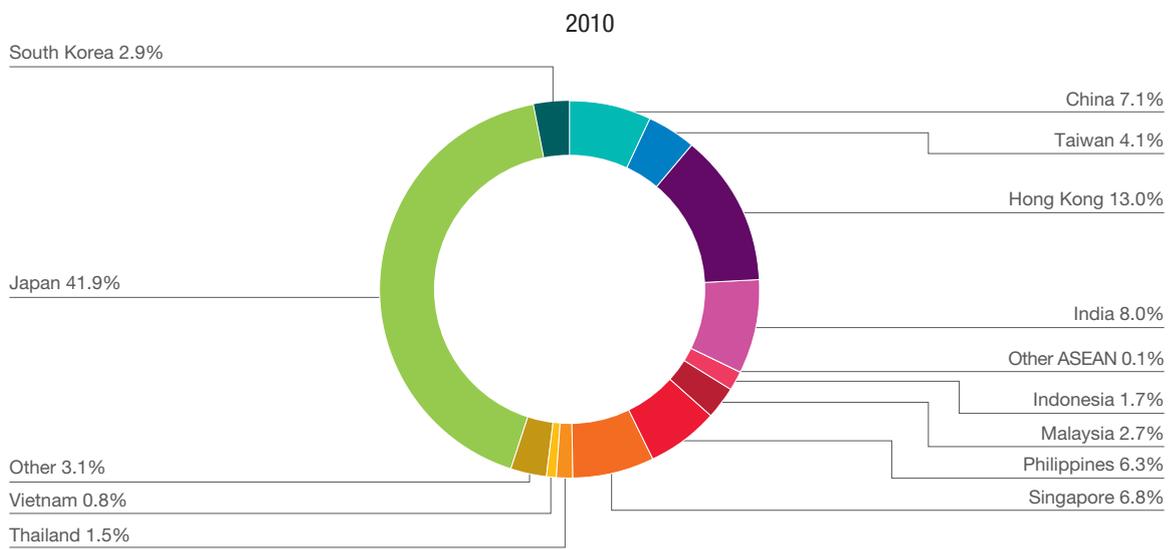
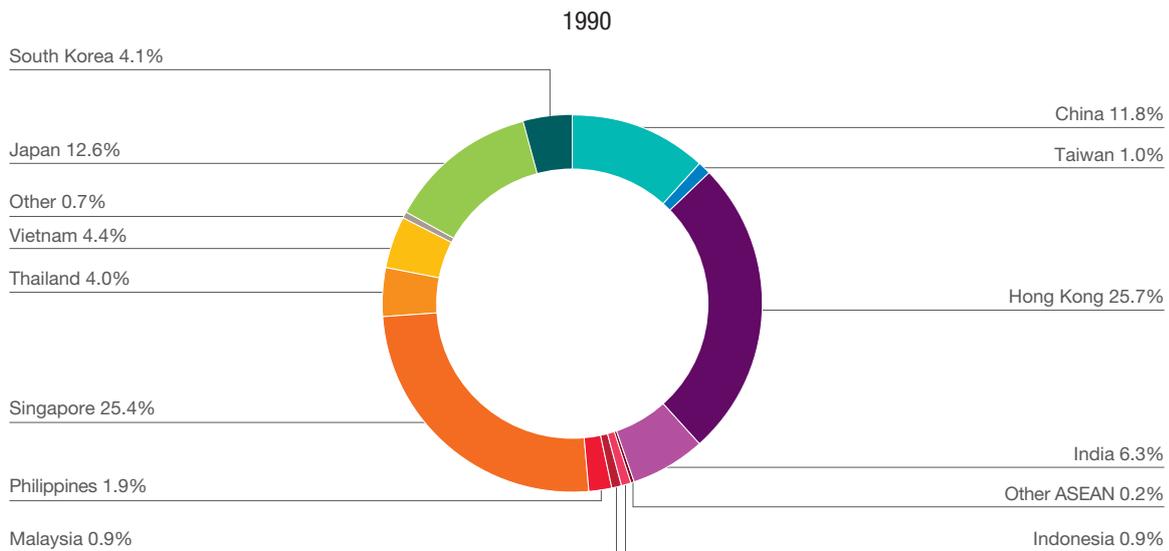
Historically Australia's top four investment partners have been the United States, the United Kingdom, Japan and New Zealand. An examination of inward investment from the United States and the United Kingdom shows that almost all is portfolio investment (investment in equity and debt securities), rather than direct investment (acquiring a significant or controlling interest in a company).

Inward investment into Australia from Japan, China and Singapore is largely direct investment (FDI), which arguably represents a higher level of engagement than more easily withdrawn portfolio investment.

Japan, China and India are big investors in energy and resources development in Australia – Japan for many decades. The increasing importance of Indian investment is evidenced by the recent announcement that energy company Adani Enterprises will become the biggest Indian investor in Australia, with a A\$10 billion investment project in Queensland coal.

Two-way investment engagement shares by country are shown in Figure 6.

Figure 6: Investment shares by economy¹¹



What 'Investment' measures

This component comprises the following investment data in constant price terms (deflated by the GDP price deflator):

- the absolute value of net foreign investment (direct, portfolio investment and other investment) into Australia from Asia, by country
- the absolute value of net foreign investment (direct, portfolio investment and other investment) from Australia into Asia, by country.

The Investment component comprises transactions only and thus excludes non-transactional changes in a country's asset position due to price changes, exchange rate changes and other adjustments.

The Investment component reveals patterns in the flow of investment to and from Australia; it does not reflect the stock of investment – the total amount of foreign assets in a country.

¹¹ 'Other ASEAN' includes Burma, Laos, Cambodia and Brunei Darussalam. 'Other' includes Sri Lanka, Maldives, East Timor, Macau, Bhutan, Nepal, Mongolia, Bangladesh and Pakistan.

Research and business development

Australia's Research and business development (R&BD) engagement with the Asia25 group rose modestly by 2.3% in 2010. The relatively subdued pattern of engagement with Asia since the early 2000s represents a break in the strong upward trend from 1990. R&BD engagement with the ROW rose only modestly in 2010, possibly reflecting relatively subdued business conditions outside Asia.

Figure 7: Research and business development component

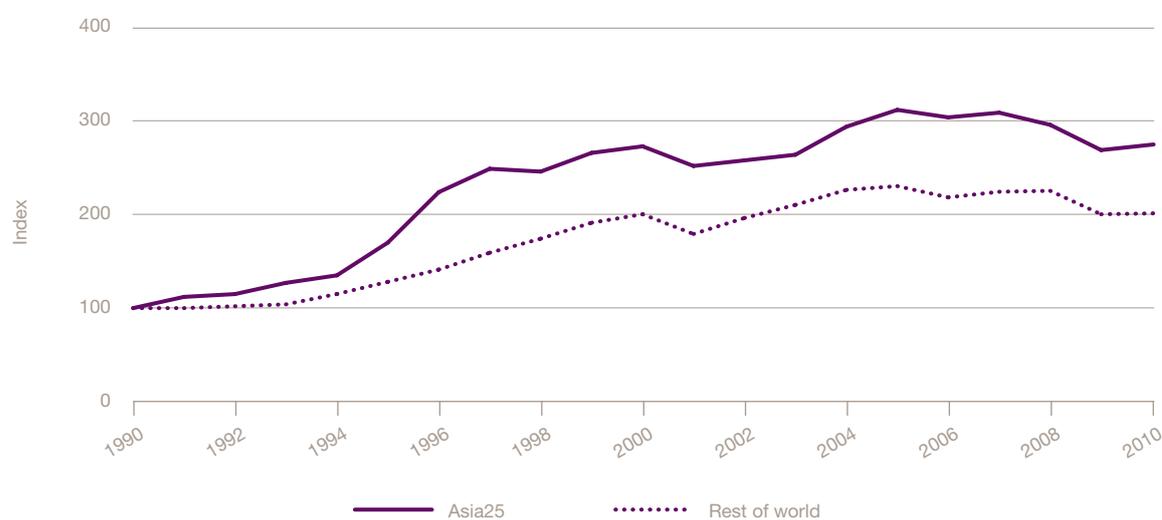


Table 5: Trends for Research and business development component

	1990	1995	2000	2005	2009	2010	% change 2009–10
Asia25	100.0	170.1	272.4	312.4	268.7	275.0	2.3
ROW	100.0	128.5	199.8	230.7	200.2	201.1	0.4

The R&BD component measures a basket of diverse activities, as outlined below. These activities create connections between people and companies, open market opportunities and enable and inform future business decisions and activities. In this way, the R&BD component is an indicator of future movements in other components measured by the overall Engagement Index.

R&BD engagement with Asia25 was buoyed by a 14.6% increase in patent applications, while business visitors to and from Australia also rose (by 6.3% and 8.5% respectively), but research article publication was down 12.9%.¹² There were consistent increases in patent applications and in two-way business visits between Australia and ASEAN; Australia and China; Australia and Japan; and Australia and Korea. While business visits from Australia to India rose, there was a fall in visits to Australia from India.

The main factor driving the small rise in R&BD engagement with the ROW was the increase in inward and outward business visits of more than 11% in both cases, which was offset by a decline in patent applications and the publication of research articles. Business visits from Australia to the ROW exceeded those to the Asia25 by 27.4% in 2010.

What 'Research and business development' measures

This component comprises the following data:

- number of short-term and long-term visits to/from Australia from/to other countries (by country) for business and employment purposes
- number of international business organisations and foreign associations in Australia (by country)
- estimated number of patent applications filed in Australia by inventors from other countries (by country)
- number of research articles published on Australia-other country relations (by country).

¹² Note: 2009 patent data was not available for the previous report, so variation in the index reflected change in the remaining components. Patent application data for 2009 and 2010 have been incorporated in the latest engagement index.

Education

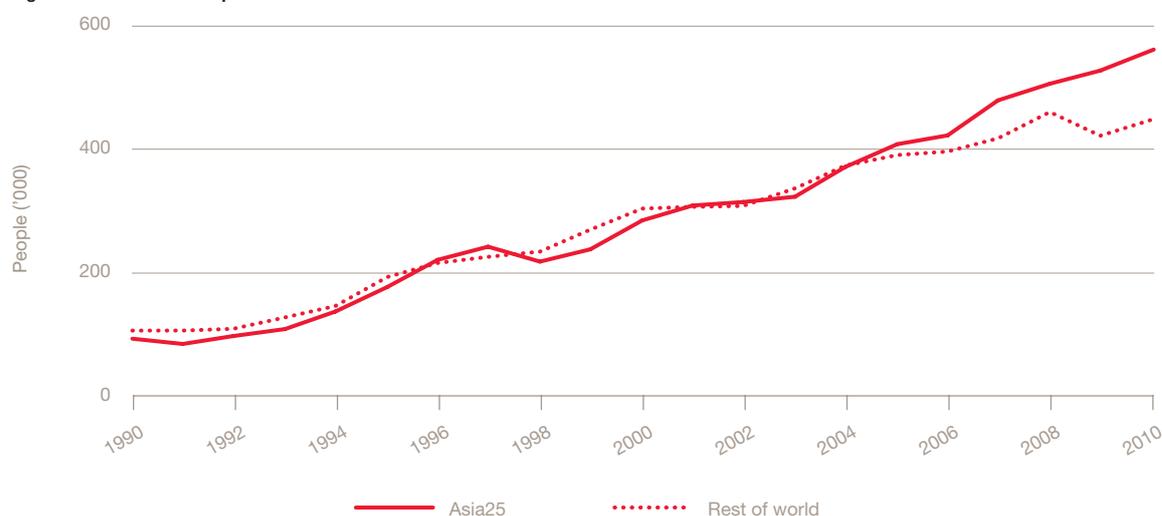
The Education component of the Asia25 Engagement Index rose by 6.5% in 2010, which was broadly in line with the 6.6% increase in ROW engagement. Australia's education engagement with Asia has continued to exceed that with the ROW since 2005. In both cases the recovery in engagement growth rates was due primarily to an increase in the outflow of people from Australia for educational purposes; growth in inflows to Australia was modest.

In the past decade the education of foreign students in Australia, particularly from Asia, has become a key export earner for Australia. Increasing incomes in Asia and subsequent demand for education services has driven this. Meanwhile Australian education institutions have been active in promoting their services in Asia. The countries dominating this growth have been China, India and Korea. This development has been in part driven by geographic proximity; relative cost (eg vis-à-vis the United States); and increases in the range of courses and the number of available places at various Australian tertiary institutions.

More recently, in 2008 and 2009 a number of factors contributed to a questioning in some Asian countries, India in particular, of Australia's reputation as a quality education provider. This prompted a federal government review, development of a National International Students Strategy, and the passing of a number of related bills through parliament in the first half of 2010. These bills involved changes to the skilled migration program to decouple student visas from migration outcomes, measures to ensure student safety, and changes to accreditation requirements among other things.

The above-mentioned concerns about Australia's reputation meant that previously strong growth rates in the inflow of students eased, while a decline in the number of outbound students in 2009 (cf. 2008) was followed by a strong rise in 2010. Growth in the inflow of educational visitors to Australia slowed to 2.7% in 2010. There was a 12.5% and 24.7% increase in students from China and Japan respectively, which was offset by a 29.1% fall in Indian students coming to Australia. The value of educational exports to Asia stalled in 2010, having grown by 20% per annum on average in the previous three years.¹³

Figure 8: Education component



¹³ DFAT Trade in Services 2010.

Most of the 6.5% growth in the Asia25 Education component in 2010 was due to an increase of 29.1% in the 'outflow' of education engagement (ie Australians travelling abroad to study and attend conferences). As previewed in last year's report, the growth in the inflow of such visitors from Asia slowed sharply to 2.7% (from 8.8% in 2009). It is likely that the strength of the Australian dollar contributed to these outcomes.¹⁴

The ROW Education Engagement Index rose at a similar rate of 6.6% in 2010 and there was a similar pattern evident in terms of inflows and outflows, with visitors leaving Australia to study and attend conferences abroad far outstripping those arriving. Exchange rate strength is no doubt playing a role here as well.

One interesting development reported by the English Language Intensive Courses for Overseas Students (ELICOS) sector is that while overall numbers coming for these courses dropped in 2010, especially from China and India, there was a rise in the number of working holiday makers, coming from 'safe traditional' markets in Asia and Europe, attracted by the prospect of earning valuable Australian dollars.¹⁵ Big declines in ELICOS students from markets defined by the Immigration Department as 'high risk' countries were attributed to visa requirements. English Australia is advocating greater communication between the tourism industry and the education sector, reflecting the potential mutual benefits of working together to promote both sectors. International education engagement has been found to have quite a significant short-term correlation with tourism and migration.

Table 6: Trends for Education component (inflow/outflow, '000 persons)

	1990	1995	2000	2005	2009	2010	% change 2009-10
Asia25							
Inflow	65.6	133.2	216.5	330.2	452.5	464.6	2.7
Outflow	26.7	43.0	68.0	77.6	75.5	97.5	29.1
Total	92.3	176.2	284.5	407.8	528	562.1	6.5
ROW							
Inflow	50.9	93.3	168.1	215.1	254.3	260.6	2.5
Outflow	56.6	100.5	135.5	175.1	167.4	188.9	12.8
Total	107.5	193.8	303.6	390.2	421.7	449.5	6.6

Notes: The indicators comprising the education component have been selected so that they are weighted according to their impact on engagement. This implies that the education indicators are not strictly additive and involve a double count of secondary student exchanges and English language Intensive courses.

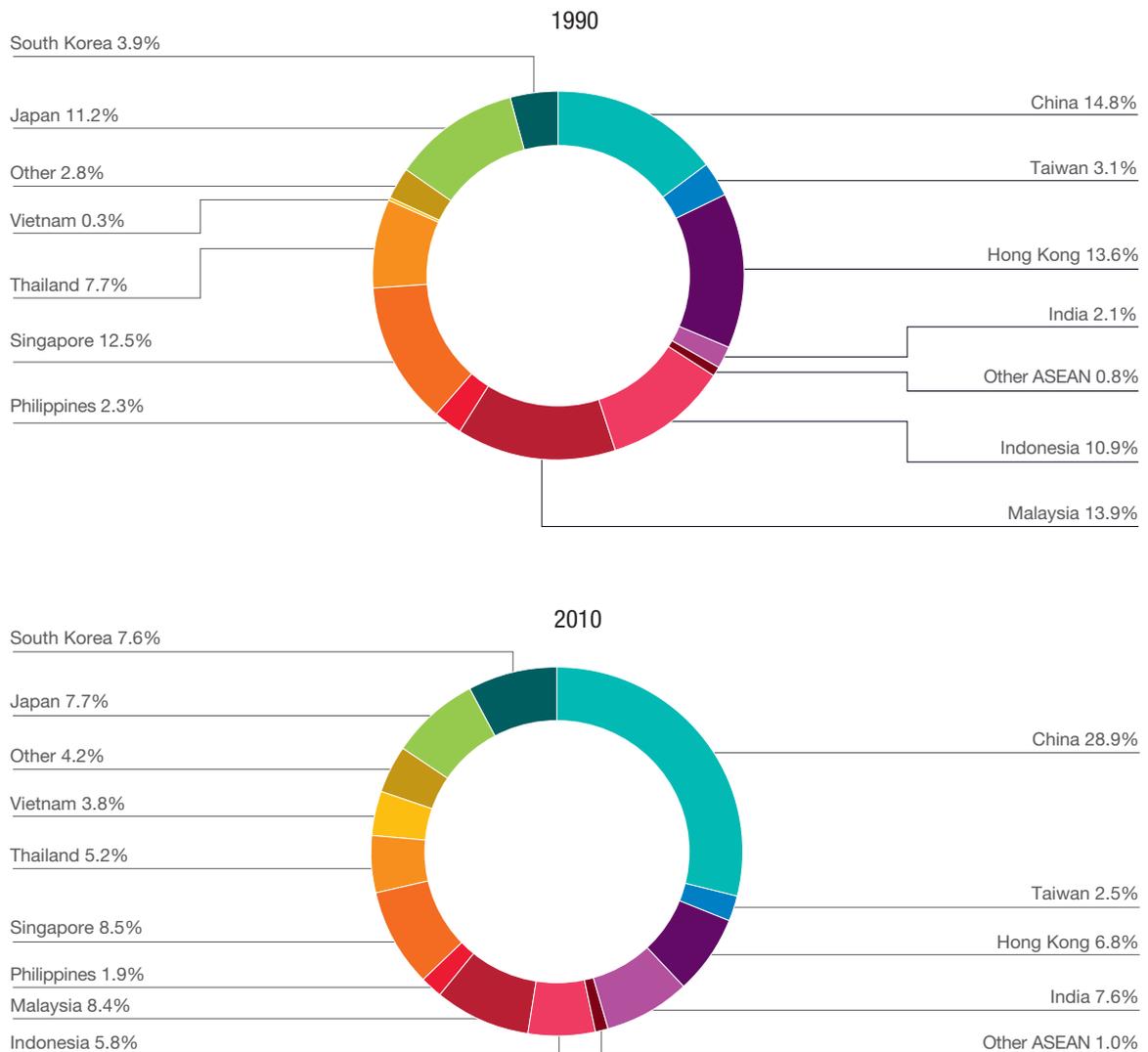
Key findings for the Education component

- Australia's education engagement with Asia25 dominates that with the ROW.
- Visitors from Asia for educational purposes rose by just 2.5% in 2010 while those from the ROW rose by 2.7%.
- There was much stronger growth of 29.1% and 12.8% in the outflow of Australians to Asia and the ROW for educational purposes in 2010.

¹⁴ See footnote 4 (Engagement at a glance) for recent Australian dollar exchange rate movements against major currencies.

¹⁵ As reported by English Australia's executive director Sue Blundell at a member's meeting in Sydney on 21 June this year. English Australia is the national peak body and professional association for English language colleges in Australia. <http://www.englishaustralia.com.au/>

Figure 9: Education shares by economy¹⁶



What 'Education' measures

This component comprises data on:

- the number of short-term visits to/from Australia from/to other countries (by country) to attend a conference/convention or for education
- the number of long-term visits to/from Australia from/to other countries (by country) for educational reasons
- the number of secondary student exchanges between Asia and Australia (by country)
- the number of students travelling to Australia for intensive English language courses (by country).

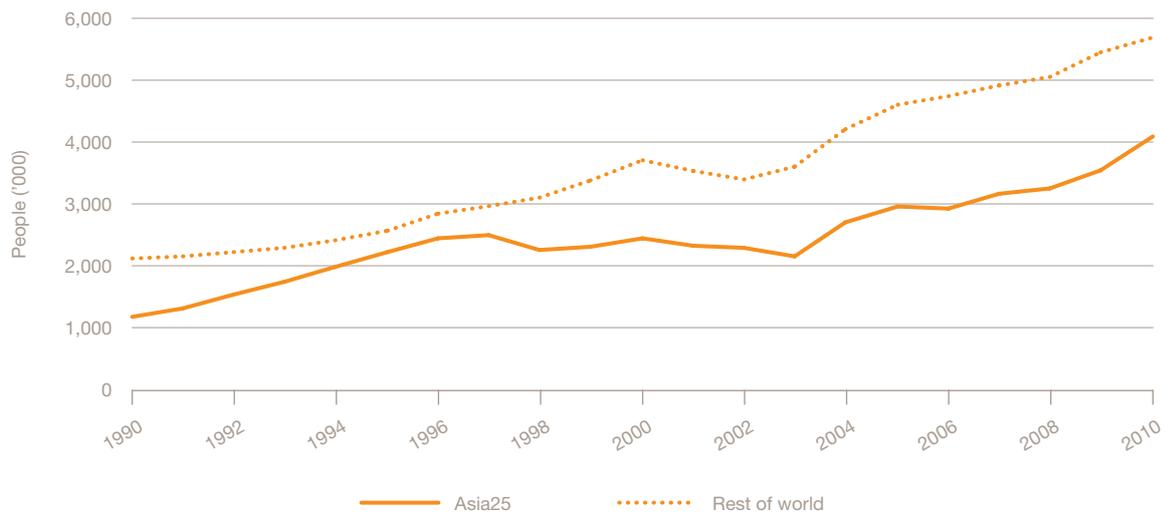
¹⁶ 'Other ASEAN' includes Burma, Laos, Cambodia and Brunei Darussalam. 'Other' includes Sri Lanka, Maldives, East Timor, Macau, Bhutan, Nepal, Mongolia, Bangladesh and Pakistan.

Tourism

The Tourism component of engagement with Asia grew by 15.7% in 2010, with over 4 million traveller movements. While both inflows and outflows rose, growth in outflows was stronger at 18.4%. Outgoing movements made up 61% of total traveller movements in 2010, compared with just 37% in 2005, suggesting that the strength of the Australian dollar is encouraging Australians to travel.

This development is also confirmed by the ROW Tourism component, with the outflow of travellers up by 9.7% in 2010 to more than 3 million – exceeding the inflow from the ROW countries for the third consecutive year. The relative weakness of economic growth in the ROW countries in 2010, notably in the United States and Europe, is also reflected in this data.

Figure 10: Tourism component



Inbound travel from the ROW was 61% higher than that from Asia in 2010. The major source countries for visitors were, in order, New Zealand, the United Kingdom and the United States, followed by Japan then China.

Table 7: Trends for Tourism component (inward/outward, '000 persons)

	1990	1995	2000	2005	2009	2010	% change 2009–10
Asia25							
Inflow	650.1	1,564.2	1,529.2	1,641.5	1,426.3	1,591.9	11.6
Outflow	537.7	640.9	905.6	1,316.4	2,114.8	2,504.2	18.4
Total	1,187.8	2,205.1	2,434.8	2,957.9	3,541.1	4,096.1	15.7
ROW							
Inflow	1,047.8	1,403.9	2,124.5	2,448.9	2,581.4	2,558.4	-0.9
Outflow	1,080.8	1,168.3	1,576.1	2,146.2	2,855.4	3,133.7	9.7
Total	2,128.6	2,572.2	3,700.6	4,595.1	5,436.8	5,692.1	4.7

Table 8: Number of working holiday makers entering Australia

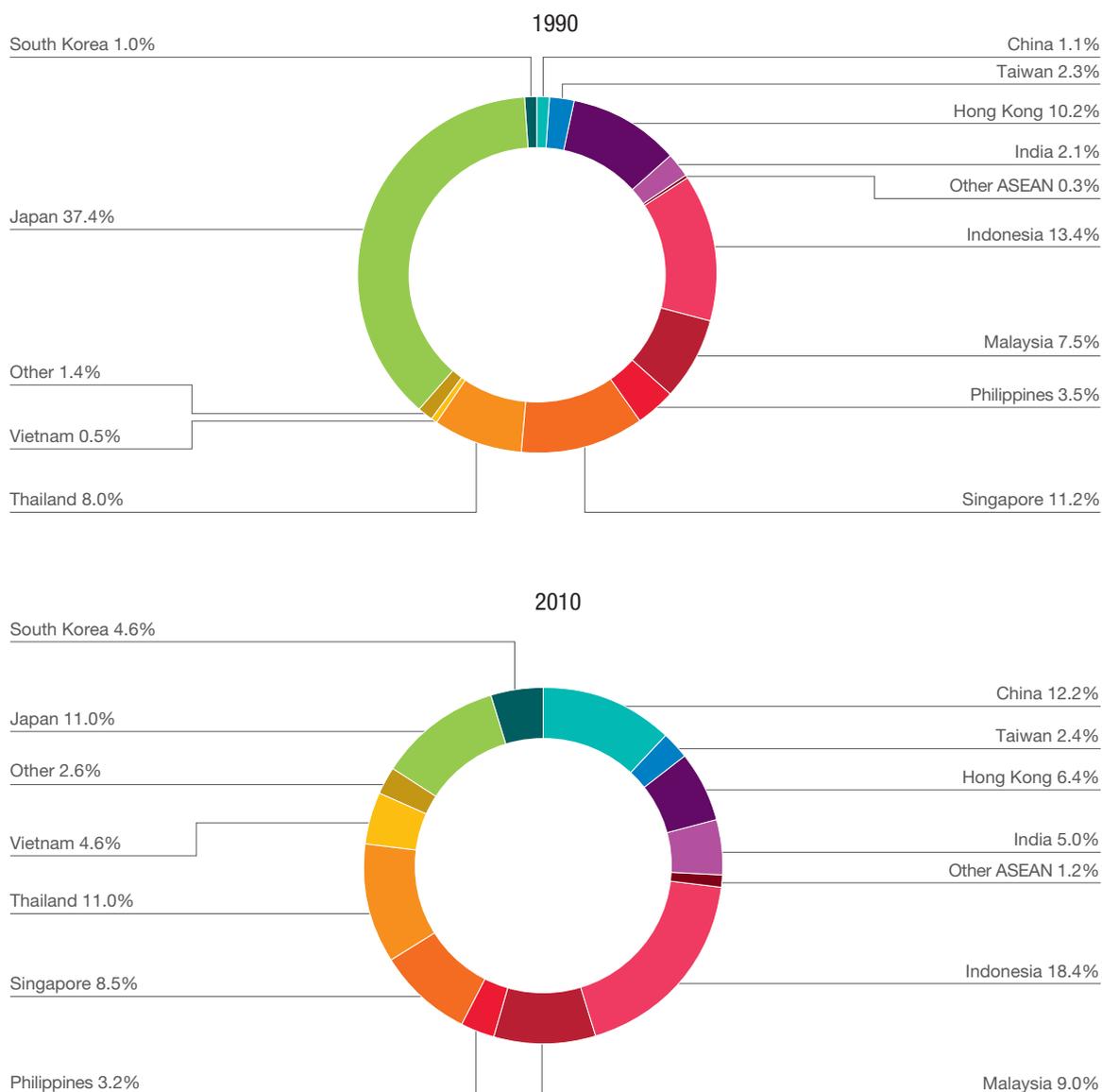
	1990	1995	2000	2005	2009	2010	% change 2009–10
Asia25	6,692	7,562	11,117	28,161	61,115	57,532	-5.9
ROW	40,691	31,301	68,122	76,463	132,990	125,631	-5.5

Key findings for Tourism component

- Short-term holidays are the biggest component of Tourism Engagement, with combined inflows and outflows accounting for 74% of the overall 4.1 million traveller movements between Asia25 and Australia, and 64% of total movements between Australia and the ROW, in 2010.
- Within Asia25, the countries which account for the largest shares of tourism engagement with Australia are Indonesia, China, Japan and Thailand.
- There was a 40% increase in the number of Australians taking a short-term holiday in Indonesia in 2010. China was also popular with Australian holiday makers – there was a 30% increase in short- (and long-) term visits to China in 2010. Australian tourist operators reported a spike in travel to China related to the Shanghai Expo during May–October.
- Short-term visits to Thailand and Japan rose by 16% and 10% respectively in 2010.
- Japan remained Australia's largest source of total incoming tourists with movements of 325,000, exceeding China by 15% in 2010. Having said this, the number of tourists coming to Australia from Japan has fallen significantly from its peak of 740,000 in 1996.
- The number of Chinese tourists coming to Australia has been growing at an average rate of around 20% per year since 1990.
- There was a 15% increase in short-term holiday visits by Australians to the ROW in 2010.
- Although inbound travel to Australia from the ROW fell by 0.9% in 2010, it nevertheless still accounted for around 62% of total tourist movements into Australia.
- Following strong growth of 19.5% in 2009, the number of working holiday makers from Asia25 entering Australia fell by 5.9% in 2010. This would seem to reflect a broader trend decline, given that there was also a 5.5% decline in working holiday makers arriving from the ROW.

Tourism shares (both outgoing and incoming) by country are shown below. The two areas that stand out are the decline of Japan's engagement share and the increase in China's.

Figure 11: Tourism shares by economy¹⁷



What 'Tourism' measures

This component comprises data on:

- short-term visits (less than one year) to/from Australia from/to Asia (by country) for holiday
- short-term visits (less than one year) to/from Australia from/to Asia (by country) to visit friends or family
- long-term visits (more than one year) to/from Australia from/to Asia (by country) for holiday
- long-term visits (more than one year) to/from Australia from/to Asia (by country) to visit friends or family
- the number of visas granted for working holiday makers in Australia from Asia (by country).

¹⁷ 'Other ASEAN' includes Burma, Laos, Cambodia and Brunei Darussalam. 'Other' includes Sri Lanka, Maldives, East Timor, Macau, Bhutan, Nepal, Mongolia, Bangladesh and Pakistan.

The global city



Robert Kok
Deputy Lord Mayor-elect,
City of Sydney

Sydney is the first point of contact for many visitors to Australia – and it is also one of the most multicultural. Robert Kok was recently elected Deputy Lord Mayor of Sydney and has big plans for putting his city at the forefront of engagement with the region.

How is the City of Sydney driving engagement with Asia?

We are engaging with the region on a range of fronts. Initially our focus was on cultural engagement through events like the Chinese New Year Festival. We've been holding the festival for the past 14 years and in that time it has grown from a small event to the largest parade and largest New Year festival outside of China.

But we're also incorporating business and trade into our engagement. We hold a business forum alongside the New Year Festival every year, and this year we are inviting a delegation from Chengdu. This is the third year in a row for this annual forum, and we want to continue to invite different provinces and cities in China to forge relationships with our local Sydney businesses. The forum is also a unique opportunity to engage with high profile government officials, decision makers and business people who are able to advise us on policies to pursue.

The City of Sydney now facilitates exchange in trade, business, education and many other industries – but it is the exchange of culture that opens up doors and opportunities.

What are the advantages of city-led engagement?

Asian businesspeople, and particularly Chinese businesspeople, are very keen to invest in Australia. I think more should be done at a local level, because the local level is where much of our engagement is occurring. When delegations visit, they visit the capital cities.

It is important for capital cities to participate and play a leadership role in engaging with Asia. For example, there are many local creative industries in Sydney and the surrounding suburbs that are in high demand in China's second- and third-tier cities like Chengdu and Chongqing. These cities

“More should be done at a local level, because the local level is where much of our engagement is occurring. When delegations visit, they visit the capital cities.”

are building new infrastructure and high-tech economic zones that offer huge opportunities for Australian service industries. Cities like Sydney can help facilitate these business opportunities.

Does Sydney also foster relationships between city governments and officials?

The City of Sydney is starting to embrace and cater for delegations and individuals who come to learn about how a city works. For example, delegations from China will come to Sydney to gather ideas in areas like infrastructure, city services and transport – and then implement that knowledge back in China. We get quite a few delegations coming in every year – sometimes 2-3 per week.

It is especially important to engage with our sister cities in order to enhance the local economy and the local businesses in the city and the state. Both Nagoya and Guangzhou have been very active in promoting their relationship with Sydney, and these relationships between cities bring forth business opportunities, open up avenues for investment and promote the exchange of ideas.

What is your perspective on the City of Sydney and NSW government connection with China?

I'm very happy to hear that Premier Barry O'Farrell has gone to China and visited the various cities – especially our sister city, Guangzhou. This shows that the new government is very keen to improve relations with China. I hope to work with the state government to further enhance these relationships, because within the city, within the festival, and within the business forum, we've built up very good relations with all the different provinces and cities.

As a city council, there is only so much we can do – I think the state government can do a lot more. I think it's a very good investment for the state government to be more active and to play a bigger role. It is important for the state government to support the city of Sydney being a global city, by engaging with China and, more broadly, Asia. Relationships are very important in Chinese and other Asian cultures – so they need to be cultivated.

How does the City engage with and develop community leadership amongst its Asian constituents?

Within the City there are several business leaders from China who are naturalised Australians, and they take Australian business delegations to China. The City of Sydney also encourages participation in local government and business associations. The Haymarket Chamber of Commerce formed about three years ago and is chaired by a young Chinese business leader with a good mix of Asian businesses. Sydney has given the Chamber grants to support projects that help local businesses to expand and foster new opportunities.

In the past people have envisaged a 'honey-coloured' Australia. As Deputy Lord Mayor how have you seen the changing face of Sydney and what advantages does this offer?

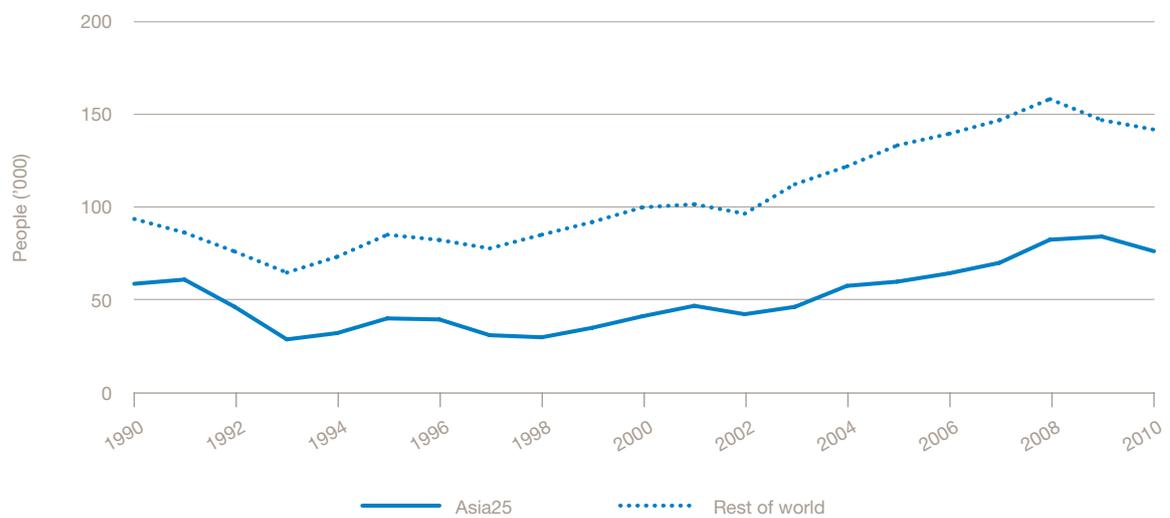
We are in the Asia Pacific region and our neighbours are our largest trading partners. Having a multicultural community and an understanding of Asian culture is important for successful business ventures in Asia. This gives the City of Sydney and other multicultural cities in Australia an advantage of understanding business in the region, as well as the opportunity to attract Asian tourists.

Migration

Australia's population grew by 1.5% in 2010 to just under 22.5 million. This annual growth rate was the lowest recorded since 2006, and population growth has been declining since it peaked at 2.2% in the year to December 2008. Natural increase (from births) and net migration accounted for 47% and 53% respectively of the overall increase in 2010. All Australian states recorded positive population growth in 2010, with Western Australia recording the strongest growth rate of 2.2%, most likely reflecting demand for labour related to the resources boom.¹⁸

The Migration component of Australia's engagement with Asia has grown strongly overall since the early 1990s, but fell by 9.6% in 2010. The 2010 result was the outcome of a 14.1% fall in the number of people immigrating to Australia from Asia and a 10.3% rise in the number of people leaving Australia to go to Asia. A similar pattern of movements is displayed in relation to the ROW: overall engagement fell by 3.7%, driven by a fall in immigration to Australia of 11.7% and a rise of 5.8% in the number of people leaving Australia to live abroad.

Figure 12: Migration component



¹⁸ ABS Cat. 3101.0.

The falls in inward migration to Australia in 2010 would seem to have been fairly generalised across countries. The biggest single declines were in immigration from India, which was down by 20.6%, followed by China, down by 12.5%. Immigration from ASEAN as a group fell by 14.8% and immigration from the ROW countries as a group was down by 11.7%.

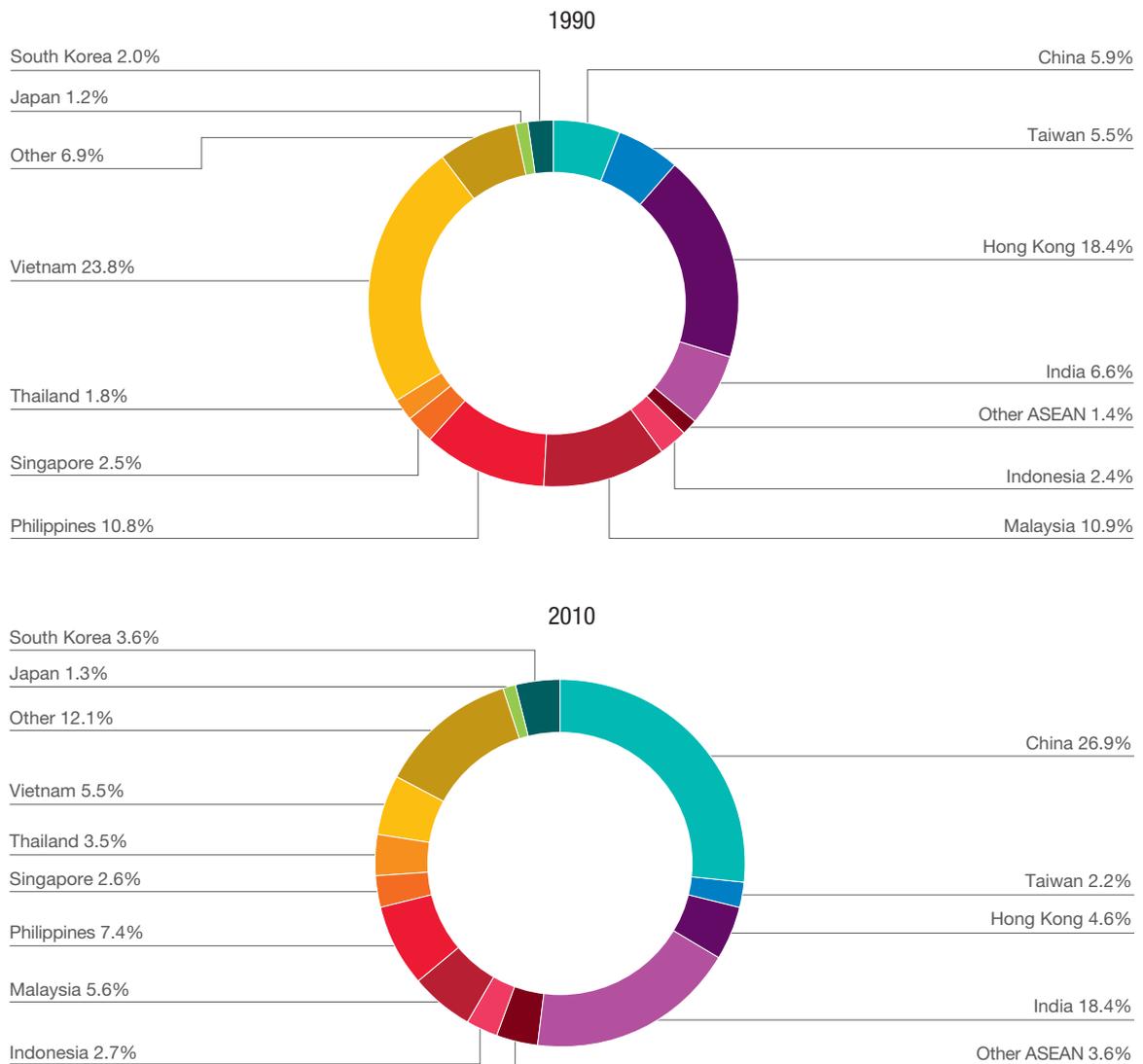
There were also fairly generalised increases in the numbers of people emigrating from Australia to Asia and the ROW in 2010. Last year the number of Indian and Chinese émigrés increased by 12.5% and 9.6% respectively, and the number of ASEAN country émigrés increased by 7.3%. Possible reasons given for the return of these former immigrants to their home countries include improved perceptions about prospects in their home countries. There was a smaller increase of 5.8% in the number of ROW-born émigrés in 2010.

Table 9: Trends for Migration component (immigration and emigration, '000 persons)

	1990	1995	2000	2005	2009	2010	% change 2009–10
Asia25							
Immigration	56.9	36.7	33.8	47.3	68.7	59.0	-14.1
Emigration	1.5	3.1	7.4	12.5	15.6	17.2	10.3
Total	58.4	39.8	41.2	59.8	84.3	76.2	-9.6
ROW							
Immigration	64.7	60.2	63.4	81.4	79.7	70.4	-11.7
Emigration	28.8	24.8	36.4	51.9	67.1	71.0	5.8
Total	93.5	85.0	99.8	133.3	146.8	141.4	-3.7

The charts on the next page provide evidence of the dramatic shifts in migration flows between Australia and Asia in the past decade. The sharp increases in migration engagement with China and India, and declines in engagement with Hong Kong and Vietnam during the decade, stand out.

Figure 13: Migration shares by economy¹⁹



What 'Migration' measures

This component comprises data on:

- the number of all permanent immigrants moving to Australia from Asia as defined by country of birth
- the number of all permanent emigrants leaving Australia by Asian country of birth.

¹⁹ 'Other ASEAN' includes Burma, Laos, Cambodia and Brunei Darussalam. 'Other' includes Sri Lanka, Maldives, East Timor, Macau, Bhutan, Nepal, Mongolia, Bangladesh and Pakistan.

Banking on Asia



Jenny West
Head of Migrant and
Expatriate Banking, Westpac

As Asian-origin populations form the backbone of Australian population growth, Australian banks like Westpac are realising that servicing migrants is a key priority. They're also supporting their onshore business by developing offshore business – and in the process making it easier for Australians to do business across the region.

What is your role?

I am the head of migrant and expatriate banking for the retail and business bank at Westpac. My role is to help facilitate the offshore to onshore relationships and to help new migrants create a new life in Australia.

What is your perspective on the growth in business relations between Australia and Asia?

Australian businesses are in some ways finding it easier to do business with Asia. As we're all aware, there's a great deal of interest in Australia's commodities and resources sector. But there's also a great deal of interest from Australian companies in investing in Asia because of the high growth rates. We're finding that Australian businesses are getting a lot better at understanding Asian markets and dealing with the Asian consumer.

Are Australian banks making the most of emerging Asian markets?

Asia is the fastest growing market in the world. The average GDP growth rate worldwide is 4.5% compared to Asia at 8.5%. There is an Asian component to each of the big four banks, to some degree. Every bank is making steps towards the emerging Asian markets, but there is variation in their individual risk appetites and where Asia sits in the context of their larger strategic agenda.

Within Westpac our objective is to grow offshore to support onshore and in order to do that we've set up branches in Beijing and Shanghai. We've got offices in Mumbai and a regional office in Singapore – combined with key strategic relationships with other banks offshore to support our customers' needs.

“Our objective is to really help customers establish a new life in Australia. We’re doing this by leveraging our diverse multicultural teams both onshore and offshore.”

How are migrant banking programs fostering relations with Asian communities?

Westpac is creating a leading migrant banking business in order to support our personal and business customers onshore. Our objective is to really help customers establish a new life in Australia. We’re doing this by leveraging our diverse multicultural teams both onshore and offshore.

For example, in our Haymarket branch we have someone that’s a Shanghainese speaker because they have a portfolio of Shanghainese customers. So we are getting very good at ensuring that we’re actually tapping into the great talent that we’ve got within the business.

What is Westpac doing to ensure that its employees have the right skills to work with Asian customers?

Offshore, Westpac is committed to hiring locals, who have the local market knowledge and expertise as well as the support of our expatriate business who help with the Westpac culture and values. Onshore, it’s really about ensuring we understand the local markets and hire according to what that local market is. As an example, in one of our branches we might have employees who have seven different nationalities and language skills that our customers in that area can go to.

What recent successes have been experienced?

As a result of the mining boom, there’s been great interest from both Chinese and Indian companies in terms of investing in mining and resources and also in terms of Australian companies wanting to understand those markets and leverage those corporate and commercial opportunities offshore. Through local tailored expertise, the Australian banks have been able to assist those trade and investment flows.

What are the specific skills required to do this?

Very strong stakeholder engagement, language skills – Mandarin speaking, Cantonese speaking, even Shanghainese speaking. Being able to absolutely understand the cultural nuances of doing business in China as well as knowing how to approach certain commercial situations.

How has your experience working in Asia influenced your role?

One of the things I’m really passionate about is doing business internationally and also helping new migrants into Australia. I grew up in India and England and have probably spent about seven or eight years of my life in India as well as working offshore. I’ve worked across Japan, Korea, Taiwan, China, Malaysia – the majority of countries within Asia. That experience has really enabled me within this role to utilise that skill set and make the most out of this role.

Why is it important for Australia to engage with Asia?

My hope for Australia in the region is for us to continue to develop and forge the great relationships we already have and really continue to expand our trade and investment flows, as well as education and cultural exchange across many of those countries in Asia. Australia will continue to play an important role because of the great relationships we already have and the strong understanding we have of Asian markets.

Humanitarian assistance

The Humanitarian assistance component of engagement with Asia25 shows a continued downward trend since 2006, with a modest fall of 1.7% in 2010. While engagement with the ROW rose by 11.4% in 2010, engagement with Asia dominates Australia's humanitarian assistance programs.

Australian humanitarian assistance engagement with Asia escalated during the East Asian financial crisis in the late 1990s, and spiked again following the Indian Ocean tsunami in December 2004 before moderating more recently.

The 1.7% decline in 2010 was driven primarily by a 14.7% decline in Australian NGO delegates active in Asia, as well as a much more modest decline in peacekeeping activities. These declines offset modest increases in the number of students offered AusAID and Defence Force scholarships to study in Australia, and the number of medical staff and teachers working in Asia longer term. Official development assistance to Asia was virtually unchanged in 2010.

The rise in engagement with the ROW was driven primarily by an increase (of 47.6%) in the number of NGO delegates and volunteers operating in those countries; the other items rose more modestly, with the exception of official development assistance which fell very marginally.

Figure 14: Humanitarian assistance component

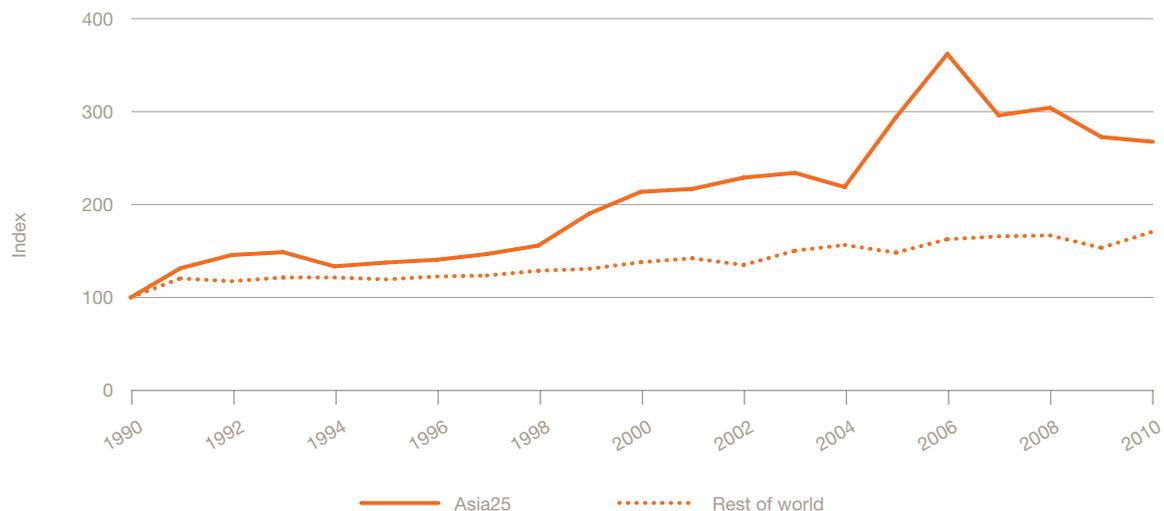


Table 10: Index trends for Humanitarian assistance component

	1990	1995	2000	2005	2009	2010	% change 2009–10
Asia25	100.0	137.8	213.5	293.7	272.1	267.5	-1.7
ROW	100.0	119.4	138.3	148.0	153.4	170.9	11.4

Last year AusAID spent just over \$3.8 billion in official development assistance (ODA) to overseas countries, with \$1.2 billion of this spent in Asia. The biggest single recipient of ODA in Asia in 2010 was Indonesia (accounting for 38% of Asian ODA, with much of this spent on education), followed by the Philippines, Vietnam and East Timor, each with shares of around 8 to 10%.

Following a review of Australia's aid program the Foreign Minister announced in July 2011 that Australia's aid budget would increase significantly to more than \$8 billion over the next five years, with Australia's nearest neighbours remaining the priority.

NGO delegates included in the Humanitarian assistance Component are representatives of Médecins Sans Frontières and the Red Cross. The Australian Red Cross, working in conjunction with Red Cross partners in Asia, engages in projects across a range of countries focused on community health; preparing for and recovering from disasters; developing the skills of our regional partners; and preventing the spread of HIV Aids. The work of Médecins Sans Frontières Australia in Asia, which is funded by Australian donors, is directed towards HIV Aids, tuberculosis and primary healthcare projects in Cambodia, China, Laos, Burma, Thailand and the Philippines.

AusAID and Defence scholarships were offered to more than 2500 Asian students in 2010, with Indian students accounting for a third of these. The next most significant participant countries were Vietnam, the Philippines and Pakistan, which together accounted for around a quarter of all student scholarships awarded. The alumni from these programs play an important role in developing cultural and economic links between Australia and the region.

What 'Humanitarian assistance' measures

This component comprises the data on:

- total Australian AusAID Official Development Assistance (ODA) to eligible partner countries in Asia (by country)
- number of long-term and permanent passenger movements by doctors, nurses and teachers to Asia (by country)
- number of Australian volunteers in Asia working for the Red Cross Australia and Médecins Sans Frontières Australia (by country)
- number of Australian members of UN Peacekeeping Forces in Asian countries (by country)
- number of student scholarships offered by AusAID or Defence to study a full-time course in Australia (by country).

ASEAN

The PwC Melbourne Institute Asialink Index of Engagement with the ASEAN group of countries fell slightly by 1.3% in 2010 following a slightly bigger fall the previous year; these falls follow five straight years of steady increases in engagement.

Despite this recent decline, ASEAN remains an important and longstanding regional partner to Australia across a range of areas, including security, culture, trade, education and development. This was reflected in the 2007 Joint Declaration on the ASEAN–Australia Comprehensive partnership, which provides a framework for engagement from 2008 to 2013.

In March 2010, the 23rd ASEAN–Australia Forum was held in Singapore and welcomed the entry into force, on 1 January, 2010, of the ASEAN–Australia–New Zealand Free Trade Agreement (AANZFTA). Covering 600 million people, the AANZFTA is the largest free trade agreement Australia has joined, and the most comprehensive FTA that ASEAN has signed.

Despite the decline in ASEAN's share of Australia's trade in recent years, it nevertheless remains highly significant at 14.6% of Australia's total world trade in 2010, second only (as a group) to China.²⁰

At the October 2010 ASEAN–Australia Summit in Vietnam, Australia's Prime Minister announced new Australian funding and support to ASEAN across three important areas, specifically in relation to: infrastructure connectivity; initiatives against migrant labour exploitation; and building linkages with the ASEAN Human Rights Commission.

Trade engagement with ASEAN rose in 2010 after falling in 2009. Meanwhile, tourism and migration engagement have been increasing especially strongly over time, as has research engagement. Three of the component measures of engagement fell in 2010; these were investment, migration and humanitarian assistance, as discussed in the following pages.

²⁰ DFAT *Composition of Trade 2010*, Table 5.

Figure 15: ASEAN Index

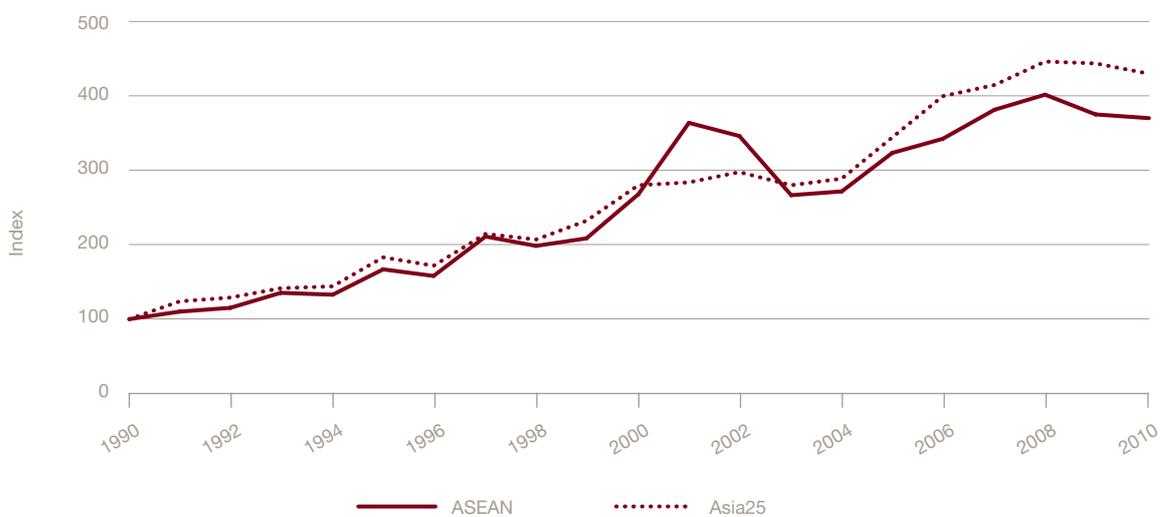


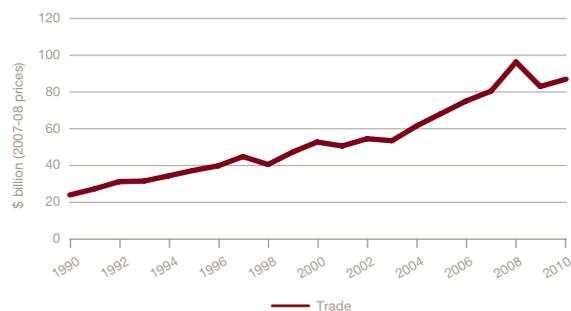
Table 11: Index trends for ASEAN

	1990	1995	2000	2005	2009	2010	% change 2009–10
ASEAN	100.0	166.3	268.0	323.1	374.8	369.9	-1.3
Asia25	100.0	182.0	278.6	343.1	442.6	429.6	-2.9

Components of the ASEAN Index

Trade

ASEAN as a group was overtaken by China as Australia's major trading partner in 2009 and the gap widened further in 2010. Nevertheless, trade with ASEAN increased by 5% in real terms in 2010, reflecting an 11% rise in imports and a 5% fall in exports. Australia's trade with ASEAN was valued at \$80.6 billion in 2010, 15% of total world trade and 25% of Asia25 trade.



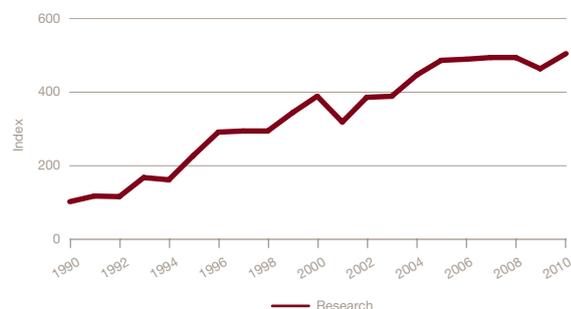
Investment

The value of bilateral investment with ASEAN is less significant than trade: equivalent to just 9% of trade engagement in 2010. Investment engagement fell sharply by 39% in 2010, due primarily to a 70% fall in net inward investment. The fall in inward investment was due primarily to a 94% fall in investment from Singapore, the largest ASEAN investor in Australia. This inflow has been volatile during the period since 1990. The strength of the Australian dollar may have contributed to falls in net inward investment, as could improved investment opportunities in home countries.



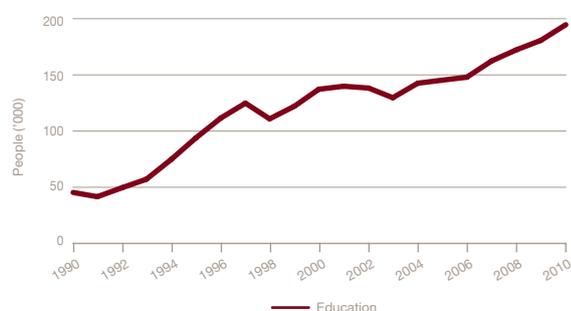
Research and business development

The ASEAN research component rose by 9% in 2010 reflecting, largely, significant increases in patent applications (13%) and two-way business visits (8% to 9%). Research article publication rose more modestly while the measure of business associations was unchanged. Last year 200,000 people travelled from Australia to ASEAN countries for business purposes, while there were 157,000 such visits in the other direction.



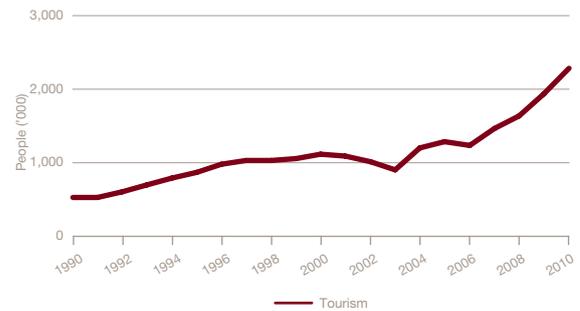
Education

While China is Australia's biggest single source of international students (with 144,000 arrivals in 2010), as a group ASEAN is even more important. It was the source of 149,000 student arrivals in 2010. Meanwhile 45,000 Australians travelled to ASEAN bloc countries for educational purposes in 2010 (cf. almost 19,000 to China). The ASEAN education engagement component has been rising steadily in recent years and was up by 8% in 2010.



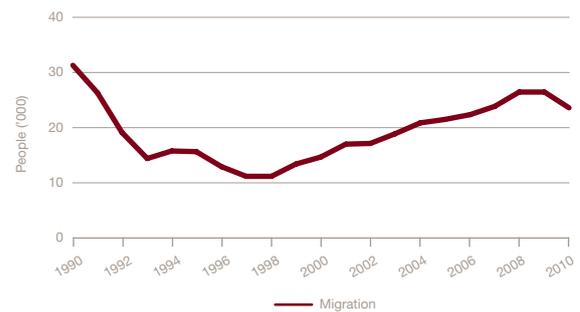
Tourism

Tourism engagement with ASEAN has increased sharply in recent years and this continued in 2010 with a rise of 18%. There was a huge 22% increase in outbound tourists and an 8% increase in incoming tourists. Combined inbound and outbound tourist movements in 2010 totalled 2.3 million. Just over 545,000 ASEAN tourists visited Australia, while more than 1.7 million Australian tourists visited ASEAN countries in 2010. The strength of the Australian dollar makes it cheaper for Australians to holiday abroad.



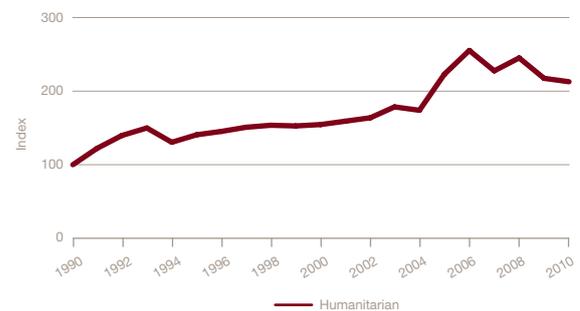
Migration

Inward migration from ASEAN countries fell sharply by 15% in 2010 while outward migration rose by 8%. This contributed to a total fall in the Migration Engagement Index of 21% and was the first major fall since the Asian Financial Crisis of 1997. It is possible that the strength of the Australian dollar is acting as a deterrent to immigration to Australia at the moment as this pattern of migration extends beyond ASEAN. Positive economic growth and prospects within these countries could also be a factor.



Humanitarian assistance

The ASEAN Humanitarian Engagement Component declined slightly by 2% in 2010, largely reflecting a fall in Australian NGO delegates going to the region. The numbers of doctors, nurses and teachers going to work in ASEAN countries increased, as did AusAID and Defence scholarships to study in Australia. Official development assistance to the region was steady.



Virtual reality



Marcus Moufarrige
Chief Information Officer
& General Manager for
Asia, Servcorp

Servcorp is a serviced office and virtual office business with operations in Asia, the Middle East, America, Europe and Australia. Their innovative model has its biggest market in Japan, but wherever they are in the region it is their staff and connection to customers that is their biggest asset.

What are the opportunities in Asia for Australian service providers?

Australia is very lucky because it is well positioned geographically and culturally to engage with the Asian market. It's clear that the economic success of the world is moving east and this presents fantastic opportunities.

Australians have a great reputation through the Asian region in terms of innovation and business practices. We are hamstrung in Australia by our small population, but the future of trade is a global market. In saying that, Australia's proximity to Asia is going to be a massive advantage for us.

How has Servcorp expanded its operations in spite of the GFC?

The GFC is a great time to expand if you have a strong balance sheet, a great business model or good funding. Both China and the Middle East have been performing strongly in spite of the GFC, which has been fantastic for us.

China is in a unique stage of economic development – it is the second biggest economy in the world, but is still considered to be developing. There is a new vigour in the Asian region as people feel the capitalist system in the west is losing momentum. I think this means that, despite the GFC, there is going to be growth in China. It may not be as spectacular as in the past, and China is not immune to financial conditions, but the emerging Chinese middle class will ensure strong economic demand.

“Servcorp is an exporter of services and therefore an exporter of Australian expertise.”

Southeast Asia has also been a huge growth region for Servcorp. What are some of the challenges you faced entering these markets?

When expanding into Asia there are some great opportunities, but also a lot of challenges. The main challenges in these markets are not necessarily cultural. The perception is that learning the culture is the toughest part, but from our perspective the rules of business will typically apply. If you try to observe cultural norms, are polite and have charisma, you can go a long way.

The real challenge is working with governments in developing countries. Some governments can be difficult in terms of understanding a new business model. Markets like China, Singapore, Thailand and Vietnam are becoming much better at welcoming businesses into their markets.

What kind of talent management systems do you have to manage the success of your Asian operations?

Servcorp is an exporter of services and therefore an exporter of Australian expertise. People are a key part of our product offering and managing talent in various geographical locations presents challenges.

We don't typically use a human resources company. We use job classifieds to build our team, so the key is training people on the ground. You can't expect a team in another nation to have the same skills set as your team at home. They might be highly educated, but it is a different business culture.

We send successful, young Australian executives to our Asian offices. They spend time there training and inject some Aussie culture into the Asian business. Unlike American bosses, who can be culturally overbearing, Australians are very easy going.

What are some pitfalls to avoid when expanding into Asia? Can you offer some advice to Australian businesses hoping to succeed in the region?

Our philosophy is that to succeed in a new market, you need to keep your costs low, establish a larger addressable market and effectively target that market.

I often come across the idea that you must understand the culture to be successful in a new market. I believe it is more about getting your business to understand cultural differences and to have empathy for different cultures. It is also important to work with a local team. My advice is to keep costs low, think locally on the ground, observe global business practices and inject a bit of Aussie culture.

Can you share any stories that illustrate the lessons you have learnt moving into these regions?

We expanded into China in 1999 and offered a receptionist service with our virtual offices. It didn't sell and I asked our Chinese manager why. She said that Chinese businesses felt it was fantastic when no one answered the phone, because it was a sign that the business was very busy so must be very good! So the key is understanding these different business cultures.

People's Republic of China

Australia's Index of Engagement with China grew by 16% in 2010, reflecting increases in all of the components except investment and migration.

China's economic growth continued to outpace that of the other major countries and world average growth in 2010, further securing its position as the second biggest economy after the United States, and ahead of Japan.²¹ The Chinese economy grew by an estimated 10.3% in 2010 (more than double world growth) and is expected by the IMF to slow only moderately in 2011 (in line with attempts by authorities to quell concerns about inflation).

Australia has been well placed to benefit enormously from China's buoyant growth in the past decade. While the key driver of this engagement and economic benefit for Australia has been related to trade in energy and resources, increases in education and tourism service exports have also been impressive. China accounted for 19.1% of Australia's total trade in goods and services in 2010, up from 13.2% just two years earlier.²²

With China's economy predicted by the IMF to double in size by 2016, it will clearly remain a very important focus for Australian business, government and cultural relations.

This relationship was highlighted by Foreign Minister Rudd on his visit to China in May 2011 when he talked about the future of the Australia–China relationship, referred to as 'Australia–China 2.0'. As he highlighted, "mass urban migration is supporting large scale investment in new housing, commercial buildings, transport infrastructure and electricity networks... [and]... demand among urban consumers for cars and appliances." He went on: "this bodes well for the future of Australia's traditional relationship with China in minerals and fuels... but Australia has more to offer China.", such as more sophisticated "education services, banking, financial and wealth management services, architecture and design, green technologies, as well as tourism", areas where "future collaboration can bring great mutual benefit".

Australia's investment relationship with China is relatively less important than the trade relationship. There was a sharp fall in investment engagement in 2010 reflecting a decline in inward investment from China. Australia's average investment in China over the past decade has been relatively modest, with most accounted for by direct investment into the finance sector, followed by manufacturing and services. China has been rapidly increasing its investment in energy and resources around the world, with increasing amounts of this investment finding its way to Australia. Chinese investment in Australian farmland is also attracting increasing attention. While this is generally expected to continue, there are increasing concerns in China about Australia's foreign investment guidelines and approvals processes, as well as weakening relative investment returns due to the rising cost structure in Australian mining, the high Australian dollar, and proposed taxation changes.²³

²¹ In nominal GDP terms the United States, China and Japan accounted for an estimated 24.0%, 8.9% and 8.6% respectively of world GDP (using World Bank *World Development Report* 2011 GDP data for 2009; IMF WEO June 2011 growth rates for 2010). In PPP terms the ranking is the same but the shares differ.

²² DFAT *Composition of Trade* 2010, Table 5.

²³ <http://au.news.yahoo.com/thewest/business/a/-/news/10082726/chinese-finding-mining-investment-tougher/>

Figure 16: China Index

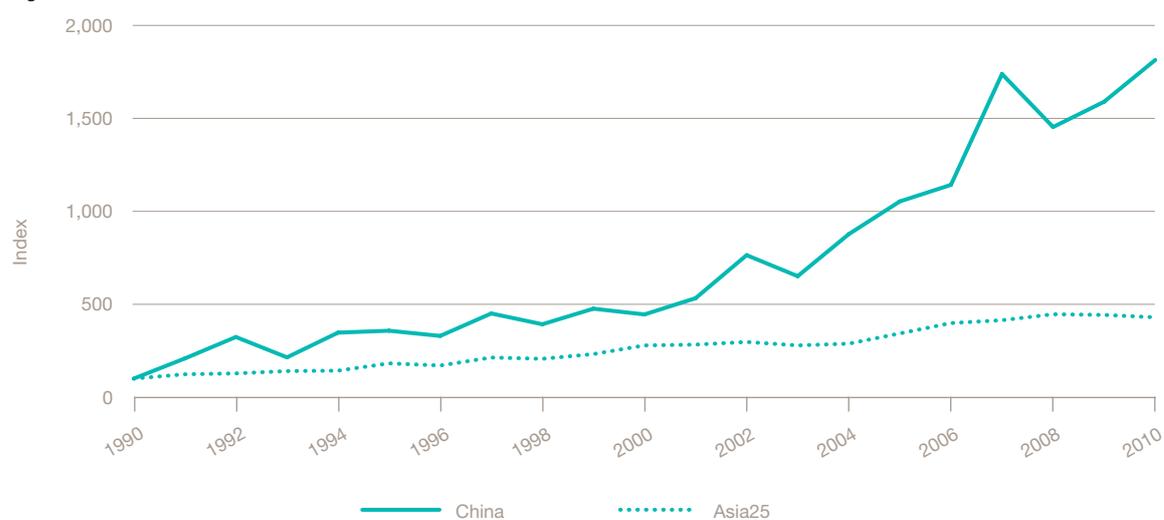


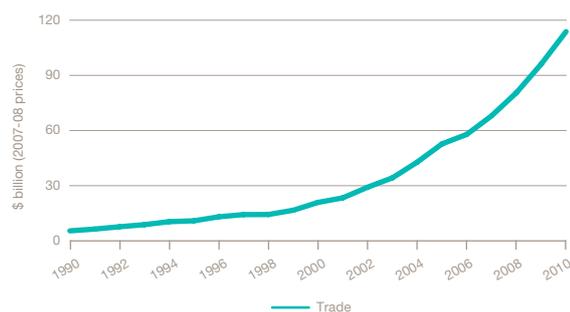
Table 12: Index trends for China

	1990	1995	2000	2005	2009	2010	% change 2009–10
China	100.0	368.8	469.7	1,159.5	1,733.8	2,010.9	16.0
Asia25	100.0	188.7	289.1	355.7	453.5	442.1	-2.5

Components of the China Index

Trade

Australia's trade with China continued to expand strongly in 2010, with growth in total trade of 18%. This reflected strong exports growth of 19% (largely energy and resources exports) and similarly strong growth in Chinese imports to Australia of 17% (comprising largely manufactured goods). China has become Australia's largest single trading partner and export market, with shares of 19% and 23% respectively of Australia's total trade and exports in 2010.



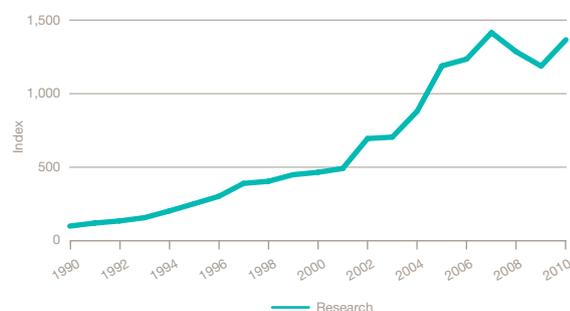
Investment

Australia's investment relationship with China is less significant than the trading one. There was a sharp fall in investment engagement in 2010 reflecting a fall in net inward investment of 80% in 2010; direct investment flows can be notoriously 'lumpy'. Arguably Australian dollar strength, as well as concerns about approval processes and tax changes, dampened inward investment in 2010. The stock of Chinese investment in Australia in 2010 was around \$20 billion, two-thirds of which was direct investment.²⁴ Net outward investment rose by 27% in 2010.



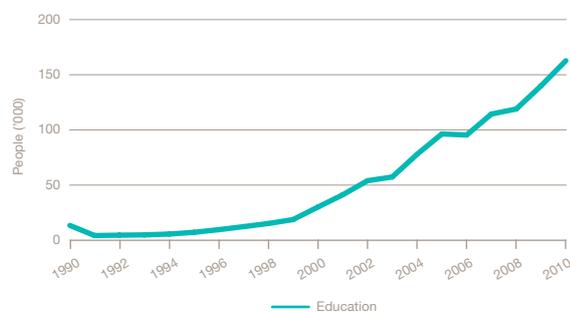
Research and business development

The China R&BD component rose by 26% in 2010, with increases across all sub-components except research article publication. The biggest shifts were a substantial 36% rise in the number of patent applications filed in Australia by Chinese inventors, as well as a large 16% increase in business visitors coming to Australia from China.



Education

China has become Australia's largest source of foreign students in the past decade, with 144,000 (or 31% of total Asian students) coming to Australia in 2010, an increase of 13% on 2009. The number of Australians studying in China rose by a massive 57% to more than 18,500 in 2010, following a fall in 2009. As a result of these movements the overall education component rose by 16% in 2010.



²⁴ DFAT China Country Brief.

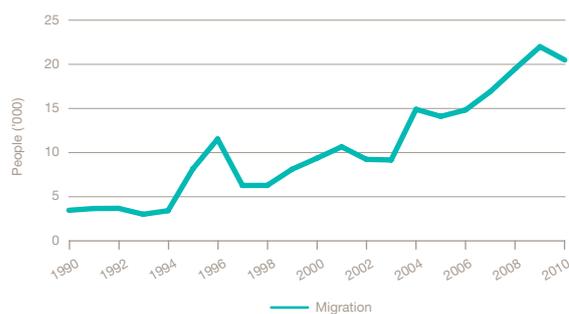
Tourism

Tourism between Australia and China has also grown strongly since the early 2000s to a level of around 500,000 person movements. In 2010, 283,000 Chinese tourists visited Australia, 31% higher than the number of Australians visiting China. Increasing prosperity and incomes in China are facilitating increased travel abroad. Almost all Australian tourist visits to China are for short-term holidays or visits to friends.



Migration

The number of Chinese people immigrating to Australia fell by 13% in 2010, while the number of Chinese-born people returning to live in China rose by almost 10%. In total, the migration component fell in 2010 by 7%. Exchange rate trends may have played a part in these developments. There were 380,000 Chinese-born residents living in Australia in 2010.²⁵



Humanitarian assistance

The Humanitarian assistance component rose by 8% in 2010. While there was a 10% increase in the number of doctors, nurses and teachers travelling to China, there was a 14% decline in the number of AusAID and Defence scholarships granted to come and study in Australia. The other components were fairly steady in 2010.



²⁵ ABS Cat. 3412.0 Migration, Table 4.7.

Bright red



Gaethan Cutri
General Manager, Cutri
Fruit and Certified Fresh

A growing demand for fresh fruit in China and across the region is supporting the long-term sustainability of Australian farming. This Australian farmer has been welcoming Asian buyers to his farm in northern Victoria since he was a child – and looks forward to the next generation of Australia’s agricultural sector doing the same.

What has been your career pathway?

I grew up in Swan Hill on this farm and worked here most of my childhood. I then went away to university and studied commerce and law. After that, I decided to work in Melbourne as a lawyer for five years. About six years ago, I decided to come back to the farm. At that point in time our business was about 120 acres and in the last six years we have grown our business to be about 450 acres under production, which makes it one of the largest stone-fruit farms in the country. We have a couple of businesses, one is our stone-fruit growing business called Cutri Fruit and the other is our exporting arm called Certified Fresh. We sell most of our fruits to Asia and the majority of those go to Hong Kong or China.

We have also in the last three years developed our export brand and our export business, which we believe is probably one of the largest export businesses for stone fruits in Australia.

How important are Asian markets to the Swan Hill region?

The Swan Hill region produces about 70% of Australia’s white flesh nectarines. The domestic market might only be able to consume 30% of those, so without the Asian markets it would be very difficult in the short term for Australian farmers to survive, let alone prosper.

Our farm focuses mostly on growing white flesh fruits because they are probably in greatest demand around the world. In particular they are very important to the Chinese and all Asian countries for Chinese New Year. So we try to grow fruits that are bright red in colour, which is a lucky colour for China. Hopefully the fruits are also quite circular in shape which is what is required for Chinese New Year – there needs to be eight circular items on a table at any given time. So we’re pretty fortunate that stone fruit happens to be circular, red and taste good.

“Without the Asian markets it would be very difficult in the short term for Australian farmers to survive, let alone prosper.”

What sparked your interest in the Asian region?

As a young child I was fortunate that my father always involved me in the business. Supplying to Taiwan was always a large part of our business, so we always had Asian buyers come to farm, probably once every month or so. One of my jobs as a little kid was to entertain them. I ran the packing shed from about 12 years old so I'd give the tours of the packing shed and the rest of the farm.

I made my first trip to Hong Kong when I was 14 to meet all of the buyers and I've been just about every year since then. I'm now 34 so I've probably been to Hong Kong 20 times. I've been fortunate enough to travel to most Asian countries as we sell fruit to a lot of them now.

Do you enjoy working in this role?

I find it very easy to get up in the morning and go to work because I seriously love fruit, as strange as that sounds. I love dealing with buyers from all around the world and I just love our industry. I think there are so many opportunities in it.

What tips do you have for young people starting out?

One of the best things I see about agriculture is that the opportunities are endless. Whether you want to be a grower, packer, exporter, produce by-products of the fruit – anything you want to do you can do. We're very fortunate because the biggest populations in the world, India, China, Indonesia, are all in our backyard. And while it's not the norm to exploit those markets as a farmer, there is definitely the ability to do it and that's one of the things I find really exciting about our industry.

India

Australia–India engagement fell in 2010 by 13.8%. In large part this reflected a downturn in education and migration engagement, as well as a smaller downturn in trade engagement. While the strength of the Australian dollar may have discouraged some Indian students, migrants and tourists from coming to Australia, this downturn is also likely to reflect earlier concerns about the quality of some courses offered, migration rules and the safety of Indian students. These concerns were addressed by an Australian government (COAG) review resulting in an International Student Strategy and the passing of a number of related bills through parliament in the first half of 2010.²⁶ Measures taken related to ensuring student safety, accreditation requirements for certain education providers, and decoupling student visas from migration outcomes. It is hoped these measures will prove, in the coming years, to have allayed the above-mentioned concerns.

Having said this, the Australian–Indian relationship has grown steadily across a range of areas in the past decade, with both governments recognising significant potential for further expansion and cooperation as India’s nascent economic development continues. Australia’s strength in exporting primary products, particularly minerals and fuels, makes us well positioned to supply growing industrial and consumer demand in India. This fact was most recently highlighted by the announcement by Indian energy company Adani Enterprises of a A\$10 billion investment to ensure control of every aspect, from mine to port, of its booming coal export business in Queensland. The scheme is one of the most ambitious, vertically-integrated resource developments ever proposed in Australia and will make Adani India’s largest single investor in this country. The mine is proposed to start exporting to India in 2015.

In addition to energy and resources, services trade between Australia and India has been expanding in the past decade, in particular education and tourism exports. Migration engagement has also risen sharply. India was Australia’s fourth largest export market for goods and services in 2010, after China, Japan and South Korea.

Consistent with these developments, in May 2011 the Australian and Indian trade ministers met in Canberra to formally launch free trade agreement negotiations, concluding a Comprehensive Economic Cooperation Agreement which will include coverage of investment and trade in goods and services. This was followed by the first round of the Comprehensive Economic Cooperation Agreement negotiations in India in July, which focused on the broad architecture of the agreement.

²⁶ http://www.dfat.gov.au/geo/india/india_brief.html

Figure 17: India Index

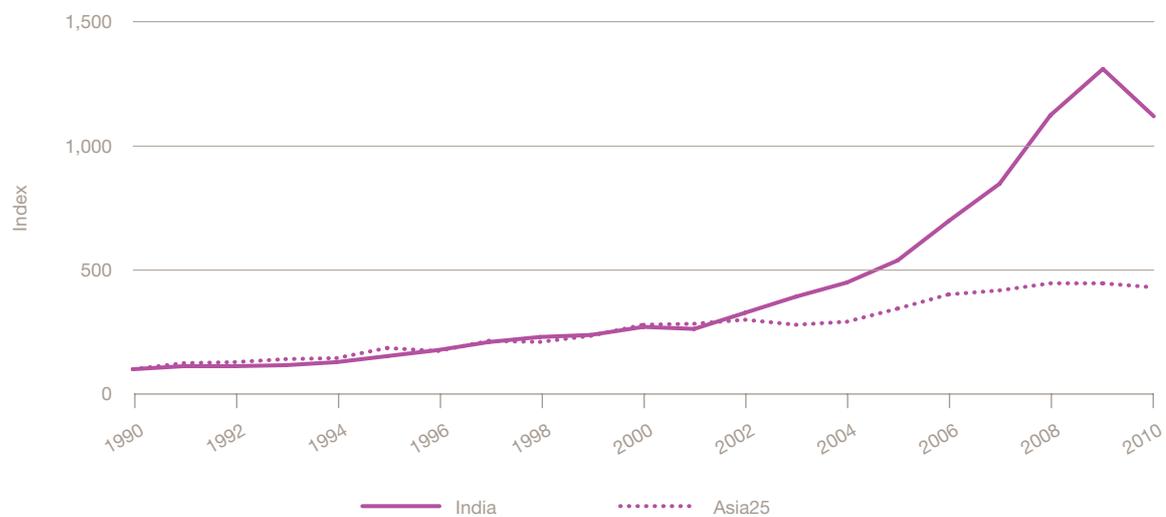


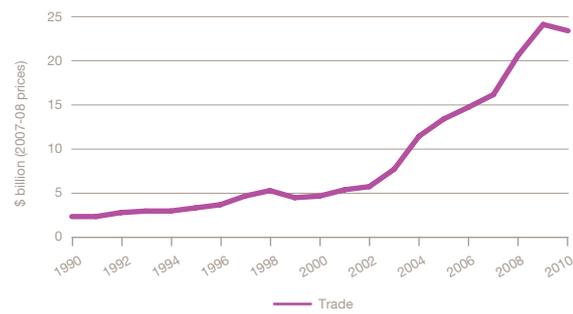
Table 13: Index trends for India

	1990	1995	2000	2005	2009	2010	% change 2009–10
India	100.0	151.3	291.3	617.8	1402.1	1208.4	-13.8
Asia25	100.0	188.7	289.1	355.7	453.5	442.1	-2.5

Components of the India Index

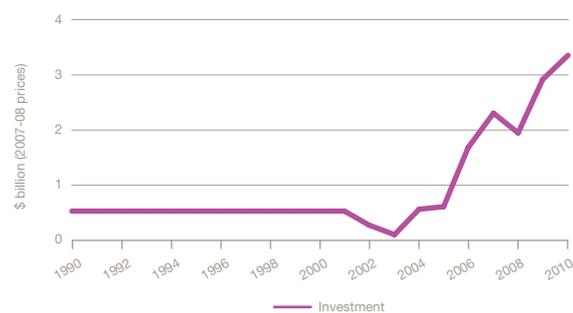
Trade

Australia's trade with India declined by 3% in 2010, reflecting a 3% rise in imports and a 4% fall in exports to India. Although 85% of total exports are goods (particularly gold, coal, copper and crude petroleum), service exports are becoming more important, thanks to the education sector. Education now represents around 15% of total exports. The 29% fall in education exports in 2010 is largely responsible for depressing overall trade engagement in 2010.



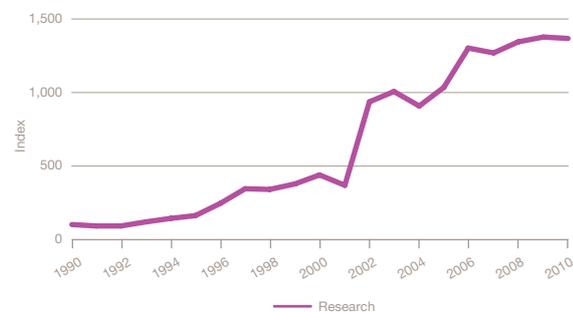
Investment

Australia's two-way investment with India accounted for just 8% of total two-way investment with Asia in 2010. Having said this investment engagement has been increasing and grew by 14% in 2010. Net inward and net outward investment were broadly similar in dollar terms in 2010. Australia's investment in India has been into a range of sectors. Indian investment in Australia has been in resource development amongst other things; the top Indian software firms have a growing presence in Australia.



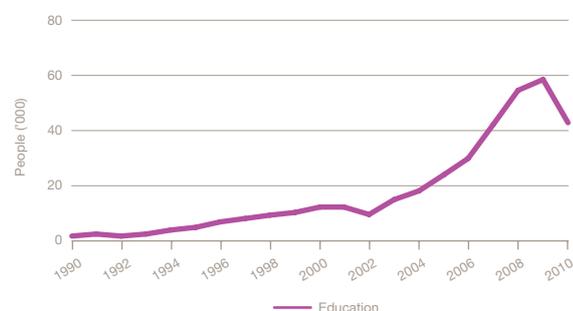
Research and business development

The India R&BD Component fell slightly by just under 1% in 2010, reflecting largely a 6% fall in the number of business visits to Australia from India. This compares with a rise of just under 5% in the number of Australians visiting India for business purposes. There were increases of less than 1% in the patent application and research publication measures.



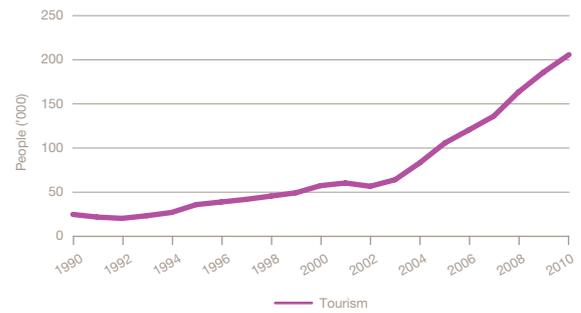
Education

Education engagement between Australia and India fell sharply by 27% in 2010 reflecting a 29% fall in the number of incoming Indian students, but a rise in the number of outgoing Australian students of 14%. The reasons for these developments have been addressed in the main discussion of Indian engagement. Monthly data from Australia Education International suggest that commencements of Indian students are down again in 2011.



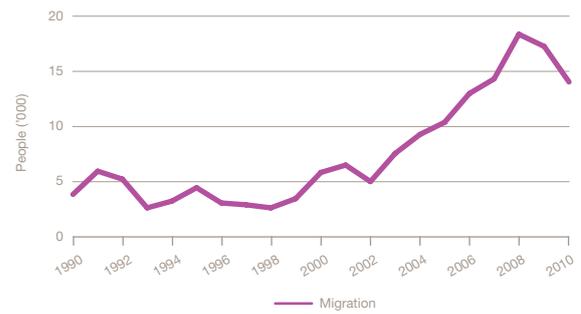
Tourism

Tourism engagement with India rose by 11% in 2010 reflecting roughly equal increases in both incoming tourists and outgoing tourists. Tourism services represent Australia's second largest import from India: last year 132,000 Australians travelled to India, with more than 60% of these trips made to visit family and friends. The Commonwealth Games were also a factor encouraging tourist visits to India in 2010.



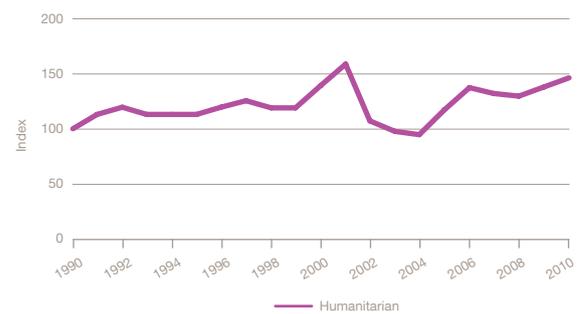
Migration

The component measuring migration flows to and from India fell by 19% in 2010, due largely to a fall of 21% in inward migration, in keeping with the fall in incoming students from India. There was a 13% increase in Indian migrants leaving Australia permanently in 2010. At 340,604, Indian-born residents are the fourth biggest group of overseas-born Australian residents in 2010 (after the United Kingdom, New Zealand and China).²⁷



Humanitarian assistance

The India Humanitarian assistance component rose in 2010, reflecting a large increase in the number of Australian volunteers with groups such as the Red Cross active in India, but a sharp fall in the number of student scholarships awarded to Indian students by AusAID and Defence. Official development assistance funding to India by AusAID was broadly unchanged. Assistance in the wake of the Gujarat earthquake in January 2001 (when more than 20,000 people died) contributed to the spike at that time.



²⁷ ABS Cat. 3412.0 Migration Table 4.7.

Indonesia

Australia's engagement with Indonesia rebounded in 2010 by 53.2%, driven by trade, tourism and education. The latest rise seems to confirm an upward trend in the past five years or so, as shown in Figure 18.

Indonesia accounted for a relatively small 2.3% share of Australia's world trade in goods and services in 2010, and 4% of Australia's trade with Asia. While Australia's imports from Indonesia rose in 2010 by almost 17%, exports fell, albeit by a lesser amount of 5%. Meanwhile a similar but more magnified pattern was recorded for investment flows between the two countries; net investment inflows fell by 64% but net outflows rose by 321% (from a low base); investment flows with Indonesia account for less than 2% of Australia's overall investment engagement in Asia.

These relatively small investment and trade shares belie the importance of the Indonesian relationship to Australia. As Australia's closest Asian neighbour in geographic terms, and as the third most populous nation in Asia after China and India, there are good reasons in both countries for encouraging economic, political, security, cultural and social engagement. Hence, Australia and Indonesia cooperate in practical ways on a range of international issues, including counter terrorism, illegal fishing, people smuggling, avian influenza, climate change and interfaith dialogue. Australia is the largest bilateral grant-based donor to Indonesia.²⁸

As a member of ASEAN, Indonesia is a party to the ASEAN–Australia–New Zealand Free Trade Agreement (AANZFTA) signed in February 2009, the largest region-wide FTA Australia has ever signed. Austrade continues to encourage Indonesia to maintain liberalised trade and investment regimes. Austrade has identified significant export opportunities for Australia in Indonesia – in agribusiness, food and beverages, consumer products, ICT, and mining services, amongst others.

In July 2010, the Australian Foreign Minister and his Indonesian counterpart discussed the commencement of an Annual Leaders' Meeting and '2+2' meetings of foreign and defence ministers from both sides.

In April 2011, Australia's Trade Minister met his Indonesian counterpart at the 9th Indonesia–Australia Trade Ministers' Meeting in Indonesia to discuss bilateral trade and investment issues. They also discussed progress of the third round of Indonesia–Australia Comprehensive Economic Partnership Agreement (IA–CEPA) pre-negotiation consultations held earlier that month, noting that the IA–CAPA consultations were preparing a solid foundation for the start of formal negotiations later this year.

²⁸ DFAT Indonesia Country Brief, <http://www.dfat.gov.au/geo/indonesia/>

Figure 18: Indonesia Index

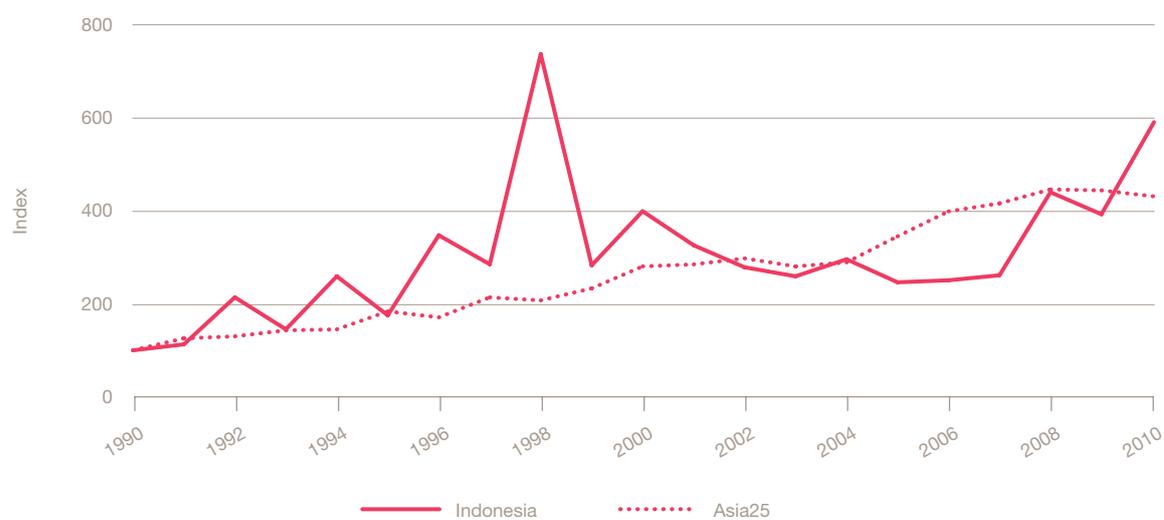


Table 14: Index trends for Indonesia

	1990	1995	2000	2005	2009	2010	% change 2009–10
Indonesia	100.0	169.4	384.8	236.9	381.5	584.4	53.2
Asia25	100.0	188.7	289.1	355.7	453.5	442.1	-2.5

Components of the Indonesia Index

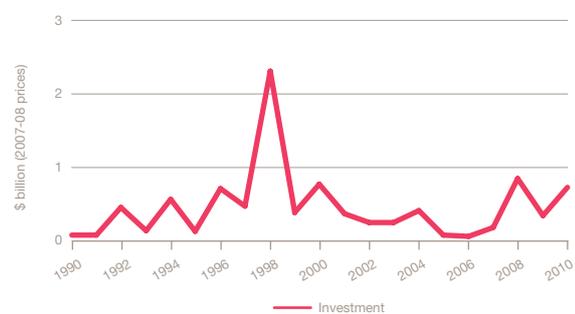
Trade

Indonesia accounts for a relatively minor share of Australia's trade with Asia. The Indonesia Trade component rose sharply by 11% in 2010, reflecting a large rise in imports and a small fall in exports. Around 80% of Australia's exports to Indonesia are merchandise goods, largely agricultural goods and aluminium. The main services trade with Indonesia are education-related travel and tourism. A big increase in the number of tourists travelling to Indonesia for holidays contributed to the rise in overall service imports.



Investment

The Investment component increased sharply in 2010, albeit from a low base; investment with Indonesia is of relatively minor significance in Australia's overall investment relationship with Asia. The net flow of Australian investment into Indonesia during 2010 was around 10 times the size of the investment in the opposite direction, at \$658 million.



Research and business development

The Indonesia R&BD component fell in 2010 due to a sharp fall in patent applications and a smaller fall in research publications. These falls more than offset increases in the number of Australians and Indonesians travelling between the two countries for business and education reasons.



Education

Indonesia and Australia enjoy a strong bilateral education relationship. The Education component increased sharply in 2010, reflecting a significant rise of 36% (off a relatively low base of just over 5,000), in the number of Australians travelling to Indonesia to study and a more modest 8% increase in Indonesians coming to Australia for education purposes. Australia's development assistance in Indonesia has a strong education component. Indonesia accounted for 6% of foreign Asian students travelling to study in Australia in 2010.



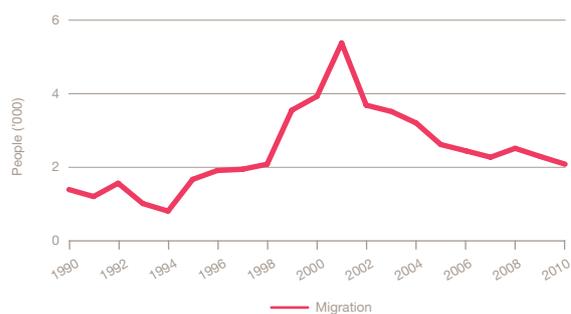
Tourism

Tourism engagement between Australia and Indonesia grew sharply in 2010, with a total of almost 752,000 movements of people between the two countries. Australia's outbound tourism to Indonesia rose by 38% in 2010, while there was a 15% increase in the number of Indonesians coming to Australia. Clearly the sharp rise in the value of the Australian dollar is encouraging Australians to holiday abroad.



Migration

Migration between Australia and Indonesia is relatively small, accounting for just 3% of total migration flows between Australia and Asia in 2010. The Migration component fell by 13% in 2010, due primarily to a fall in the number of Indonesians immigrating to Australia to just 1,300 people. Around 700 left Australia permanently in 2010. There were 73,527 Indonesian-born residents of Australia in 2010.²⁹



Humanitarian assistance

Humanitarian assistance continued to fall sharply in 2010 reflecting, primarily, a sharp fall in the number of Australian volunteers working with NGOs in Indonesia. This offset increases in both scholarships awarded to Indonesian students to come and study in Australia, and in the number of Australian doctors, nurses and teachers stationed in Indonesia. Australia is the largest bilateral grant-based donor to Indonesia.³⁰



²⁹ ABS Cat. 3412.0 Migration Table 4.7.

³⁰ DFAT Indonesia Country Brief.

Japan

After declining in the three years up until 2009, Australian engagement with Japan grew by 13.4% in 2010, due largely to a pick-up in trade, investment, education and tourism engagement.

Japan and Australia have enjoyed a decades-long cooperative relationship based on mutual respect and friendship, shared democratic values, common security interests, and a commitment to freedom, the rule of law and human rights. The relationship has also been one of fundamental importance to both countries' strategic and economic interests. Both governments have worked actively to foster these common interests through a range of formal and informal agreements, meetings and conferences over time.

To this end, the twelfth round of the Australia–Japan Free Trade Agreement negotiations took place in Tokyo in early February 2011. This was the first FTA round since Japan announced its new policy on FTAs in November 2010. Its stated goal was an opening of Japan to world trade and investment liberalisation, including concluding an FTA with Australia.³¹ At the February meeting progress was made across most areas, although some outstanding issues remain to be resolved.

A follow-up round of negotiations scheduled for April was subsequently cancelled until further notice in the wake of the tsunami disaster on 11 March 2011. Both the Australian Prime Minister and the Foreign Minister have visited Japan since the disaster, offering condolences on the terrible loss of life, as well the commitment of the Australian government to a range of assistance measures and support in the wake of the widespread damage and loss.

Japan is Australia's second largest export destination and trading partner in the world after China, with major exports being coal, iron and beef. Japan is also Australia's third largest source of imports (after China and the United States), in particular of consumer and industrial products. Meanwhile, Japan is Australia's third biggest foreign investor, with much of this being direct investment which has been essential to the development of many important export industries, in particular iron-ore, coal and LNG development.

In the light of the longstanding and multi-faceted relationship between Australia and Japan, the Australia–Japan Engagement Index starts from a high baseline in 1990. Meanwhile, the period since 1990 has been one of relative underperformance for Japan (with the 1990s often referred to as the 'lost decade'), characterised by low economic growth which was met by high levels of government investment and an associated build-up in government debt. And unlike many of its less developed Asian neighbours, Japan experienced a major downturn during the global financial crisis, with economic growth falling by 6.3% in 2009. Despite all this, Australia–Japan engagement has continued to trend strongly higher from 1990, albeit with a degree of volatility.

³¹ The 'Basic Policy on Comprehensive Economic Partnerships'.

Figure 19: Japan Index



Table 15: Index trends for Japan

	1990	1995	2000	2005	2009	2010	% change 2009–10
Japan	100.0	336.7	424.5	354.0	382.2	433.6	13.4
Asia25	100.0	188.7	289.1	355.7	453.5	442.1	-2.5

Components of the Japan Index

Trade

The Trade component of engagement with Japan recorded a modest recovery of 5% in 2010, reflecting primarily a 15% increase in imports from Japan; exports rose by less than 1%. This follows a sharp downturn in 2009 as the Japanese economy went into recession. While growth in this component has been relatively modest since 1990, it comes off a high base: Japan has been one of Australia's top two trading partners for decades, and remains in second place now, after China.



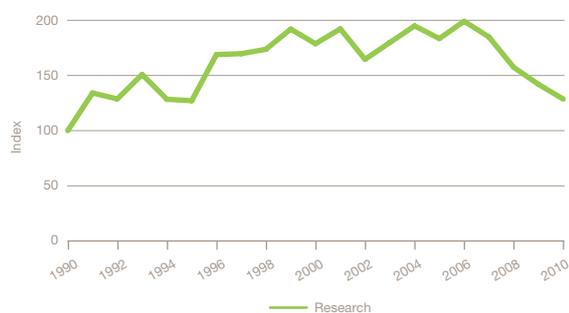
Investment

The Investment component also increased in 2010 as Japanese economic growth recovered. There was growth of 16% in Japanese net investment in Australia and a massive increase of 58% in net outbound investment in Japan. Japan remains a critical investment partner to Australia, despite the rise in engagement with China in recent years. Japan is Australia's third biggest foreign investor, with an investment stock of \$118 billion at end 2010.³²



Research and business development

The R&BD component continued to decline in 2010. While business visits between the two countries and Japanese patent applications in Australia increased, these increases were more than offset by a large fall in the number of research article publications on Australia-Japan relations in 2010.



³² DFAT Japan Country Brief.

Education

Student travel between Australia and Japan rose in both directions in 2010, resulting in an overall increase in the Education component of 22%. The 14% increase in the flow of Australian students going to Japan was exceeded by the 25% rise in Japanese students coming to study in Australia. Japan is the eleventh largest source country for international students in Australia.³³



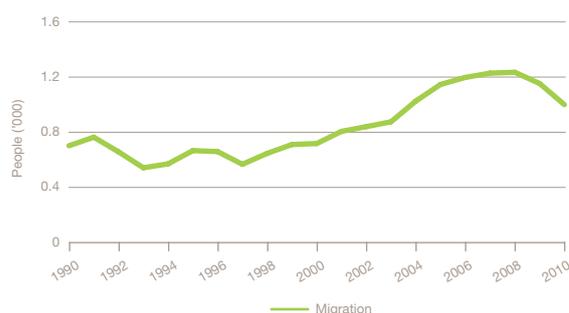
Tourism

The number of tourist movements between Australia and Japan rose by 11% to a total of 460,000 in 2010. This was the first such increase since 2004. Inbound travel from Japan was around three times that of outbound travel in 2010. While the number of Australians visiting Japan has gradually increased over time and was the highest ever in 2010, the number of Japanese tourists coming to Australia has more than halved since a peak in 1996. The yen is one of the few currencies against which the Australian dollar has lost ground recently – a factor no doubt in the increase in inbound tourism in 2010.



Migration

The Japan Migration component fell by 9% in 2010, reflecting a fall of 29% in Japanese immigrants coming to Australia and a rise of 25% in Japanese-born residents returning to Japan. The numbers of people leaving and arriving were almost identical in 2010. The annual flow of migrants between Australia and Japan is relatively small, at 1,000 people in total in 2010. There were just 52,111 Japanese-born residents of Australia in June 2010 – less than 1% of total overseas-born residents.³⁴



³³ DFAT Japan Country Brief.

³⁴ ABS Cat. 3412.0 Migration Table 4.7.

Republic of Korea

The Republic of Korea (or South Korea) and Australia are strong economic, political and strategic partners with common values and interests. Bilateral relations have strengthened considerably over the past few years, assisted by direct links between the two countries, and reinforced by cooperation in international affairs such as in the G20. Economic relations are mutually beneficial and expanding.

These developments are reflected in the increase in the Australia–South Korea Engagement Index. Having fallen in the preceding two years, engagement rose by 18.3% in 2010, reflecting increases in trade, research, tourism and humanitarian engagement.

South Korea has become an important trading partner to Australia over the decades. This relationship developed rapidly during the 1960s as the country's industrialisation led to it becoming an important export market for Australian raw materials. In 2010 it was Australia's third biggest export market and fourth biggest trading partner overall, after China, Japan and the United States. Australia currently exports raw materials, elaborately transformed manufactures, food and beverages, and technology and services to South Korea. Recreational and education-related travel are the key service exports, with South Korea now the third biggest source of foreign enrolments in Australian education institutions, after China and India. Meanwhile Australia imports finished products such as cars, telecommunications equipment and computers from South Korea, as well as refined petroleum.

As with China and India, investment engagement with South Korea is less important than trade engagement, and in South Korea's case it is relatively small. Having said this, bilateral investment has increased and diversified over time. Some Australian banks are active investors in South Korea (ANZ and Macquarie). Meanwhile South Korea's investment in Australia is mostly in resource development (including coal in NSW and iron-ore in Western Australia) or in import and distribution (by companies such as Hyundai, LG and Samsung). As a result of a deal signed in January 2011 the Korea Gas Company (KOGAS) will take a 15% stake in Santos Ltd's Gladstone coal-seam gas project in Queensland.

Australia–South Korea high-level contact is substantial and expanding, with regular meetings and contact between leaders and senior ministers. Prime Minister Gillard visited Seoul in April 2011 and it was agreed that negotiations on an Australian–South Korea FTA were in their final stages (having been launched in 2009) and the leaders reaffirmed their joint goal to finalise negotiations by the end of 2011. They also agreed that the two countries would work towards establishing a regular '2+2' meeting of foreign and defence ministers.

Figure 20: South Korea Index

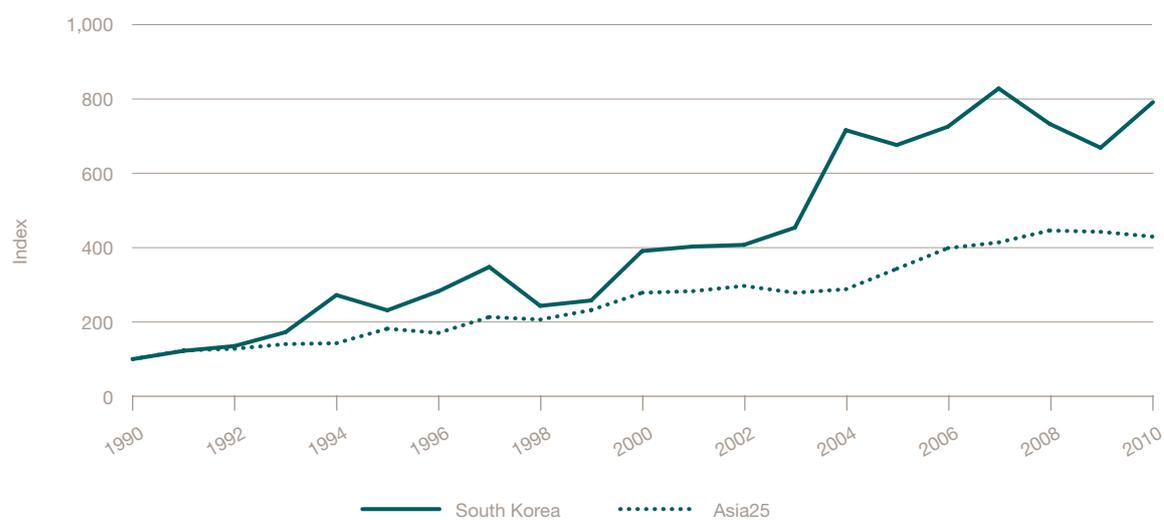


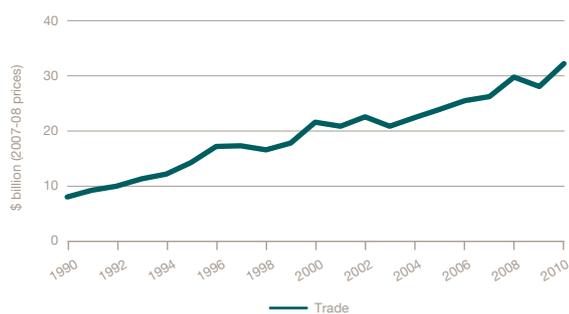
Table 16: Index trends for South Korea

	1990	1995	2000	2005	2009	2010	% change 2009–10
Korea	100.0	234.5	390.8	676.2	668.8	791.4	18.3
Asia25	100.0	182.0	278.6	343.1	442.6	429.6	-2.9

Components of the South Korea Index

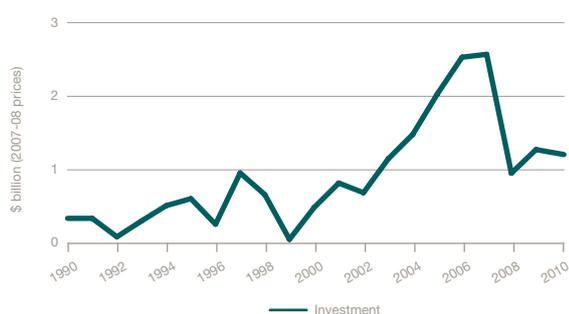
Trade

South Korea is Australia's fourth biggest trading partner and trade engagement continued to rise strongly by 15% in 2010. This followed a small fall of 6% in 2009 in line with the slowdown in both economies. The 2010 result reflected an 18% rise in imports of goods and services from South Korea and a 14% rise in exports. As with Japan, Australia's trading relationship with Korea is long-standing, and consistent with its having attained 'developed-country' status well ahead of some of its neighbours.



Investment

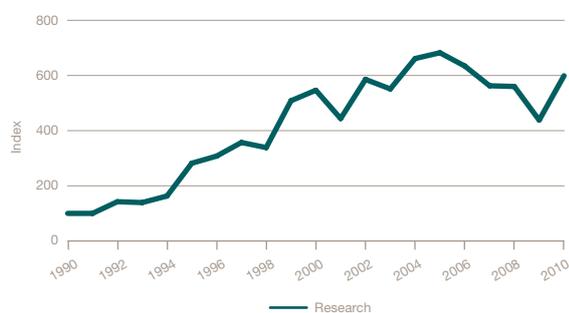
The South Korea Investment component fell slightly in 2010, reflecting a rise in net inward investment which was more than offset by a fall in net outward investment. The level of investment flows between the two countries is relatively small, but has grown and diversified over the years. The stock of South Korean investment in Australia increased by more than 18 times during the past decade to around \$9 billion.³⁵



Research and business development

The South Korea R&BD component rose strongly in 2010. This reflected across-the-board increases in all subcomponents with the exception of the number of Australia-South Korea business associations. There were particularly big increases in the number of Koreans applying for patents in Australia and the number of research articles on Australia-South Korea relations – of 68% and 63% respectively.

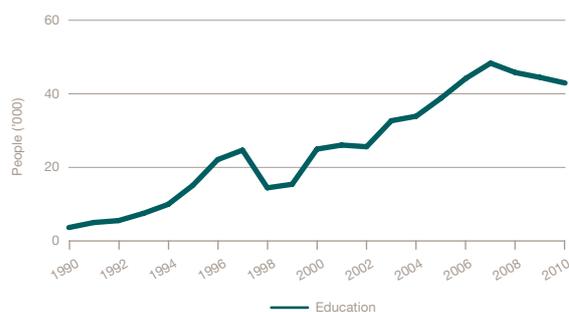
In the past decade South Korea has become one of the world's most prolific patenting countries.



³⁵ DFAT Republic of Korea Country Brief.

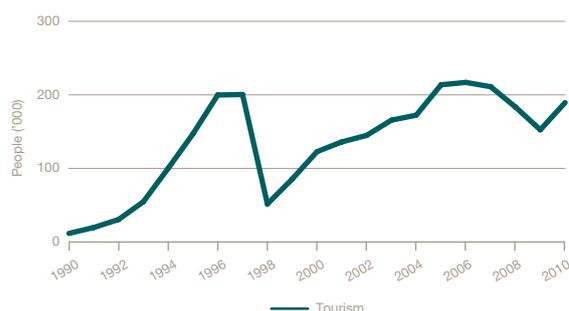
Education

South Korea is the third largest source of overseas student enrolments in Australia, after China and India. In 2010 the education component of Australia–South Korea engagement fell for the second year in a row, reflecting a fall in incoming students. This offset a rise in the number of Australians going to study in South Korea. Still, the number of students coming to Australia from South Korea in 2010 was more than 10 times the flow of students in the other direction.



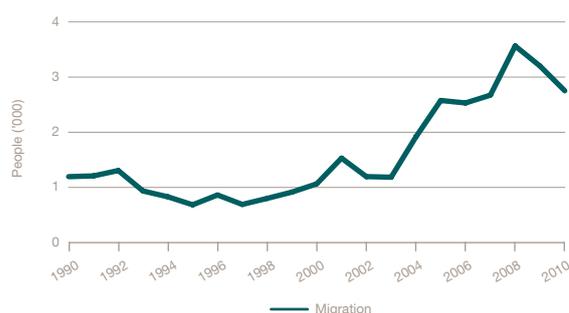
Tourism

The Tourism component increased by around 24% in 2010, reflecting significant increases in incoming and outgoing tourists. All sub-categories of tourists increased except for: long-term visits by South Koreans to Australia (for both holidays and to visit friends); and the number of Koreans applying for working holiday visas in Australia. Around 162,000 South Korean tourists came to Australia in 2010, compared with 29,000 Australian tourists visiting South Korea last year.



Migration

The Migration component fell by 13% in 2010, with a fall in South Korean immigrants coming to Australia and a rise in South Korean-born residents returning to live permanently in South Korea. In 2010 there were just over 100,000 South Korean-born residents of Australia.



Appendix 1: Construction of the PwC Melbourne Institute Asialink Index

Asia is defined here as all countries in ASEAN (Indonesia, Singapore, Malaysia, Thailand, Vietnam, Laos, Cambodia, Brunei Darussalam, The Philippines and Burma), South Asia (India, Pakistan, Bhutan, Sri Lanka, Nepal, Maldives and Bangladesh), East Asia (People's Republic of China, Hong Kong, Chinese Taipei, Macau, Mongolia, East Timor) and North East Asia (Republic of Korea [South Korea], Japan). In total, there are 25 countries in our definition of Asia. The Asialink Index is an unweighted average of seven components: Trade; Investment; Research and business development; Education; Tourism; Migration; and Humanitarian assistance. Each component comprises between two to five data series.

Each of the seven components captures a different dimension of the level of engagement between Australia and Asia. 'Engagement' is multi-dimensional – it cannot be adequately measured by a single component or data series. However, it is not logical to add together heterogeneous data series which may be measured as dollar values, people or patents. Accordingly, to combine the data, each data series (for each economy) is scaled to give a 'score' of 100 in the first year of the study period, 1990. These individual data series are then averaged to get an index for each component. The seven component indices are then in turn averaged to get the aggregated Asialink Index. All data are in calendar year terms unless otherwise stated. The 24 individual data series are composed as follows.

Trade: this component comprises data, deflated by the import and export price deflators, on:

- a. value of imports of goods and services into Australia from Asia, by country
- b. value of exports of goods and services out of Australia to Asia, by country.

Investment: this component comprises data, deflated by the GDP deflator, on:

- a. absolute value of net foreign investment (foreign direct investment, portfolio flows and other) into Australia from Asia, by country
- b. absolute value of net foreign investment (foreign direct investment, portfolio flows and other) out of Australia to Asia, by country.

This investment series comprises transactions only and thus excludes non-transactional changes in a country's asset position due to price changes, exchange rate changes and other adjustments. See ABS Cat. 5331.0 for a more detailed explanation of the different investment series.

Research and business development: this component comprises data on:

- a. number of short-term and long-term visits to/from Australia from/to Asia (by country) for business/employment purposes
- b. number of Asian business organisations and associations in Australia (by country)
- c. number of patent applications filed in Australia by inventors in Asia (by country)
- d. number of research articles published on Australian–Asian relations (by country).

Education: this component comprises data on:

- a. number of short-term visits to/from Australia from/to Asia (by country) to attend a conference/convention or for education
- b. number of long-term visits to/from Australia from/to Asia (by country) for educational reasons (by country)
- c. number of school and secondary student exchanges between Asia and Australia (by country by program year 1 July–30 June)

- d. number of students travelling to Australia for English Language Intensive Courses (by country by program year 1 July–30 June).

Tourism: this component comprises data on:

- a. short-term visits (less than 1 year) to/from Australia from/to Asia (by country) for holiday
- b. short-term visits (less than 1 year) to/from Australia from/to Asia (by country) to visit friends/family
- c. long-term visits (more than 1 year) to/from Australia from/to Asia (by country) for holiday
- d. long-term visits (more than 1 year) to/from Australia from/to Asia (by country) to visit friends/family
- e. number of visas granted for working holiday makers in Australia from Asia (by country by program year 1 July–30 June).

Migration: this component comprises data on:

- a. number of all permanent immigrants moving to Australia from Asia as defined by country of birth
- b. number of all permanent emigrants leaving Australia by Asian country of birth.

Humanitarian assistance: this component comprises data on:

- a. total AusAID Australian official development assistance (ODA) to eligible partner countries in Asia (by country)
- b. number of long-term and permanent passenger movements by doctors, nurses and teachers to Asia (by country)
- c. number of Australian volunteers in Asia working for the Red Cross and Médecins Sans Frontières (by country by financial year)

- d. number of Australian members of UN Peacekeeping Forces in Asian countries (by country)

- e. number of student scholarships offered by AusAID and Defence (by country by program year 1 July–30 June).

Data have been collected from a wide variety of sources including the Australian Bureau of Statistics (ABS), AusAID, the Department of Immigration and Citizenship, and IP Australia. To arrive at usable data series, the raw data were treated in a number of ways:

- a. missing observations before 1990 were replaced by the first non-missing observation for that data series and country
- b. other missing observations were interpolated
- c. AusAID humanitarian funds and UN peacekeeping forces were logged to reduce its extreme variability by country over time
- d. one was added to all raw numbers to avoid dividing by zero. In the case of AusAID and UN peacekeeping forces data this was 10
- e. three countries entered the working holiday maker scheme after 1990 and the rise in numbers from zero was very extreme in percentage terms. Accordingly, we treated the data before 2003, 1997 and 2006 for Hong Kong, Republic of Korea (South Korea) and Chinese Taipei respectively as missing and treated as stated above
- f. data on the numbers of peacekeeping forces since 2005 was updated via media reports.

Appendix 2: Data sources

Much of the data used in the construction of the Asialink Index comes from public sources such as the ABS. However, in most cases, the ABS did not provide enough disaggregated detail in its publicly-available (online) resources. In particular, we required data disaggregated by specific country in order to construct the Index. In these instances, requests were made to the ABS and other organisations to provide data.

Balance of payments estimates are subject to revisions. Such revisions generally move the estimates closer to their final published values thus the practice of revising estimates is consistent with the aim of providing the highest quality estimates. Our general policy in relation to revisions is to take every possible action to incorporate the most accurate data available at the time.

The data series used to construct the Index are identified below.

Trade

ABS Cat. 5368 Tables 14a, b; Merchandise Exports, Country and Country Groups, FOB Value and Merchandise Imports, Country and Country Groups, Customs Value; 5368055004 – International Trade in Goods and Services, Australia, Tables 5.12, 7.12. Trade data are expressed in real terms (reference year 2008–09, deflated using ABS expenditure GDP implicit price deflators in ABS Cat. 5206.0, Table 5, series A2303728F, A2303729J).

Investment

2001–06: ABS Cat. 5352.0 2006 Tables 1, 4; 1991–2001: ABS Cat. 5352.0 2001 Tables 1a, 1d. Foreign Investment in Australia: Financial Account Transactions by Country and Country Groups by type of investment and year (\$million); this excludes changes in the investment position

arising from revaluations due to price, exchange rate and other changes. Investment data are expressed in real terms (reference year 2008–09, deflated using the implicit price deflator from ABS Cat. 5206.0, Table 5, series A2303730T).

Research and business development

ABS Cat. 3401.0, unpublished data; Business Registration databases (various); IP Australia; Google scholar.

Education

ABS Cat. 3401.0, unpublished data. Student visas, Department of Immigration and Citizenship, unpublished data.

Tourism

ABS Cat. 3401.0, unpublished data. Department of Immigration and Citizenship working holiday-maker visas.

Migration

ABS Cat. 3401.0, unpublished data.

Humanitarian assistance

AusAID Statistical Summary (Greenbook) Table 4 'Australia's International Development Cooperation' (published irregularly), and AusAID Annual Report Table 3 for updates; ABS Cat. 3401.0, unpublished data; Annual reports: Red Cross, Médecins Sans Frontières Australia; Peacekeeper data: Australian War Memorial, Canberra (historical data), and Australian Government Department of Defence website: <http://www.defence.gov.au/op/index.htm>; Department of Immigration and Citizenship unpublished data, AusAID and Defence Scholarships.

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It represents an annual update of the original report launched in 2008. The original design of this report was undertaken by Tim Cox and Lisa Jacobsen, PwC; Professor Tony Milner, Jenny McGregor and Jacyl Shaw, Asialink; and Professor Beth Webster and Associate Professor Paul Jensen, Melbourne Institute, the University of Melbourne. Over the years, the report has been informed by experts from a wide range of fields including academia, foreign policy and business.

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