



SUBMISSION

**ADVANCE SUBMISSION TO THE
REVIEW OF AUSTRALIA'S EXPORT
POLICIES AND PROGRAMMES**

23 May 2008



ADVANCE SUBMISSION TO THE AUSTRALDE REVIEW

1. Introduction

The Australian Minister for Trade, the Hon Simon Crean MP has called for a review of Australia's export and investment performance. It will make recommendations on future policies and programs to promote exports and investment flows, develop export capacity and enhance Australia's international competitiveness.

The Review is considering four broad areas:

- Identifying/analysing reasons for the recent deterioration in Australia's export performance;
- The relationship between domestic policy settings and productivity-enhancing policies, including the role of infrastructure, skills and innovation;
- Trade negotiations priorities and efforts to improve access to markets, including free trade agreements; and
- Trade development, export and investment promotion, including recommendations about the continuation of the Export Market Development Grants scheme.

Advance – Global Australians, Global Networks submission proposes, as a means to improve Australia's trade performance, the extension and development of strong social network facilities with Australians overseas. Advance believes Australia would derive great benefit from deepening our partnership with Austrade and the Department of Foreign Affairs and Trade to advance the trade agenda.

In addition, we have provided some summary comment on the questions raised in the topics for input and comment.

2. Advance key recommendation – strengthening and utilising Australia’s offshore human capital and networks to advance the trade agenda

2.1 In a knowledge economy, market insight drives innovation.

Australia has a largely untapped comparative advantage as a middle power economy : our one million Australians overseas, about 500,000 of whom are among the country’s most capable human capital.

Here we put forward a case demonstrating the potential impact on Australian exports of a strong, industry specific network of this valuable Australian human capital: leading industry professionals, entrepreneurs and researchers overseas.

Advance, through Patron funding, corporate sponsorships, partnerships with State Governments, has been able to build a network of over 10,000 Australian professionals overseas. Our strongest presence is in the markets of the East Coast USA, followed by the West Coast USA and London but we have members in over 150 countries around the world. Recently, Advance received a direct grant from the Department of Foreign Affairs and Trade, specifically to expand our footprint, operations and activities in Asia.

2.2 Partnering with Austrade to drive in-market results

We would like to work closely with Austrade to ensure that Australia derives the maximum real economic benefit from this current largely untapped network of Australians overseas.

The expansion of the network reach, activities and programmes of Advance Global Australians. Global Networks, would provide Australian exporters and potential exporters with the following benefits:

- ⇒ Increased productivity of companies through direct reach into the global market for knowledge, talent, investment, partners, commercialisation opportunities
- ⇒ Market needs insight
- ⇒ Informal market entry advice
- ⇒ The development of new business leads
- ⇒ A strong ongoing network of individuals to connect with that have deep, relevant industry specific domains of knowledge and expertise

The investment in such a platform, which can, in a knowledge economy, be considered an important piece of infrastructure, would yield deep and ongoing benefits to Australian industry and expand the countries export capacity. A wide variety of ‘traffic’ between individuals, companies and research institutions into the global economy would be facilitated.

2.3 Contemporary global thinking

Throughout the 1980s and 90s' economic development policy in the developed world was highly influenced by Michael Porter who wrote about the power of *clusters*: geographic concentrations of interconnected businesses, suppliers, and associated institutions in a particular field. Clusters affect competitiveness in three ways: by increasing the productivity of the companies, by driving innovation and stimulating the development of new business. In recent years, the theory and practice is being updated to reflect the distributed nature of business operations in the wake of globalisation. The new model is around *hubs and nodes* and *networks*.

The opportunity exists to build *virtual clusters*, social networks of talent in key fields.

Advance proposes that the creation of global virtual clusters of Australians in *life sciences; media communications and technology, arts & culture, financial services and green technology*.

2.4 Required inputs and outcomes

Required inputs for such a model include:

- Robust social networking platform with member driven activity around industry clusters and product areas clusters
- Industry/product area coordinators who research, cultivate and connect the Australian community abroad in priority sectors
- Business development in Australia to connect with all nodes and clusters with Australian centres of excellence in research and development

Outcomes include:

- Stronger in-market networks: information and insight
- Better integration in the global supply chain – early warning of opportunities, continuous exposure to best practice and developments
- Frictionless exchange of ideas
- Faster paths to commercialisation through better access to decision makers and market information
- Access to leading practitioners as advisers
- Increased productivity of companies through direct reach into the global market for knowledge, talent, investment, partners, commercialisation opportunities
- The development of new business leads

- A strong ongoing network of individuals to connect with that have deep, relevant industry specific domains of knowledge and expertise

OUTCOME: Increased trade volume for Australia

2.5 Complementarity with Austrade structure

Advance argues that if Austrade maintains its comprehensive network of offices and staff stationed worldwide, then a small but judicious investment in global human networks, will amplify the activities and quantifiable results achieved. In the event of a lower reliance on offshore offices and staff in future, powerful informal social networks will become paramount.

Like Austrade, Advance manages our activities and by a matrix of geography and industry. We focus on industry depth and geographic reach in building our footprint and activities. Infrastructure developed on these two axis, means we are structured to make a significant economic impact.

Previous Austrade performance management regimes, discouraged the funding of bigger picture partnerships and investments like the development of global industry specific networks of Australians off-shore. We hope this changes.

2.6 Measurement

Unlike physical infrastructure, measurement of the performance and impact of a networking platform is more difficult. However, specific outcomes can still be captured and reported over time.

2.7 Investment required

The cost of establishing, seeding, and promoting four robust global virtual clusters of Australians in life sciences; media communications and technology, arts & culture and green technology would be A\$3.8m over three years. These are the four clusters that we are currently researching and developing and seeking industry partnerships for. We would welcome a dialogue with Austrade and the Department of Foreign Affairs and Trade regarding this project as an outcome of this review.

3. Summary comment on the questions raised (1, 2, 3, 5, 6, 7, 8)

1. General

- What have been the drivers of Australia's export performance in recent years?

Advance not in a position to comment.

- What factors are influencing the future global trading environment and what are the future opportunities and challenges for Australian business?

Increasing consolidation and tightening of global supply chains. Australia is not well integrated into these and distance and relationship development in international contexts by Australian companies must be strengthened to meet the challenge.

- What outcomes can realistically be achieved through trade policies and programs and what are the most appropriate indicators of effectiveness?

Trade policy and programmes can continue to encourage export-oriented looking business development. In particular, sector wide initiatives should be encouraged, business led-government supported industry wide missions and initiatives are key.

Appropriate indicators of effectiveness:

- *Effectiveness indicators must include volume, not just number of exporters*
- *industry penetration*
- *supply chain integration in key industries*

2. Structural and supply side factors

- What factors are inhibiting Australian businesses from exporting, for example in areas such as infrastructure – transport and energy – and skills and labour?
 - What has been the impact of specific factors on the export performance of particular sectors? Provide detail on the scale of any impacts.
 - What action could be taken to address these factors?

Australia's infrastructure for the knowledge economy is not world class. Broadband speeds and universal access to high speed internet, wireless penetration in urban centres are all factors which drive innovation and global integration.

Advance is not well placed to comment on limitations or otherwise of Australia's stock of physical infrastructure.

- To what extent is Australia's information and communications technology infrastructure inhibiting export performance, particularly in the services sector? What particular improvements could be made to ICT infrastructure that would enhance export capacity?

As above.

- What is the contribution of innovation to improving export performance and international competitiveness? How can export-focused innovation be encouraged? What actions could be taken to improve Australia's technological competitiveness?

Part of the equation of a country's technological competitiveness is the speed and effectiveness of adoption of new technology. Australia is an early adopter of technology at the personal level but slower at the enterprise level. Deeper connection and engagement with cutting edge technology and its implementation, specifically at the enterprise level is part of the solution to this problem. Support and encouragement for stronger social networks between individuals and enterprises in Australia, and their peers overseas in more leading edge markets, where key learnings, and market insight are shared, is one part of a strategy to address enterprise level technology adoption.

4. International business development

- What are the implications and impacts of the increasing integration of exporting, outward investment and inward investment?

Australia is such a high wage and tax location that globally oriented companies will increasingly move elements of their operation off-shore to avail of less costly operating environments.

- In what ways might it be possible to improve the capacity of Australian business to secure access to international supply chains and networks?

Through the direct support and partnership with established, growing networks of Australian executives, professionals, entrepreneurs and researchers overseas. Advance has outlined a proposal for doing this in this submission pages 1-4. We would be pleased to provide much more detailed information should this be of interest.

- What actions could support the globalisation of Australian business in a way that is consistent with Australia's overall economic national interest?

Direct support and engagement of Australian networks overseas in particular those that have been designed to offer deep, industry specific engagement.

5. Trade development programs and services

- What are the international trade development needs of the export and international business community?
 - Do these needs vary by industry sector/size of business/ experience/stage of internationalisation and if yes, how?
 - Are these needs currently met by existing programs and services? Could existing programs and services be improved and/or new programs and services introduced?
 - What services are available from the private sector to address these needs? Is there any market failure?
- What measures could be taken to assist companies become 'export ready'?
- What are the principles that should guide the allocation of funding to support trade development programs and services?
- How are businesses in other countries supported in international business development? Do Australian businesses have access to the same breadth of service and support?

The support provided to other countries should not be used as an argument for levels of support provided to Australian companies. Clearly some countries will choose to offer greater support to potential export companies whether or not this is shown to be effective. Our driving principles should be:

- *removing constraints to export performance, funding clear market failures, not expecting government programmes to replace individual endeavour and engagement.*

Market failure principally exists in the areas of in-market information and networks, strong, cohesive country branding for Australia overseas and encouraging SMEs within industry sectors to collaborate better in responding to the dynamics of rapidly centralising supply chains.

Small and medium-sized enterprises (SMEs)

- What measures could be taken to enhance the export and investment performance of SMEs? What specific trade development support services are most effective for SMEs?

Better targetting of assistance - With direct assistance of SMEs There is a danger in assisting companies who are not export capable for reasons of product inadequacy, or leadership and management capacity to commence exporting but which are not viable sustainable enterprises. Of course there is a learning and development dimensions and risks and even failure are often important components of ultimate success, however there are far too many players receiving support where future success is unlikely. This is a double negative in the off-shore markets because it sullies Australia's reputation with agents, distributors and end users, as a producer of good businesses, products and companies. For these reasons, SME assistance should be targetted at companies with good track records and leadership as well as marketing expertise.

MNEs undertake two-thirds of world trade and the world's top 1000 companies direct 90% of global FDI and undertake bulk of business R&D, this is leading to increased consolidation and concentration of global supply chains. In this environment it appears likely that large numbers of roll-ups, consolidations, partnerships and alliances will occur and it will be increasingly difficult for sole SMEs to compete outside of larger networks and alliances. Part of delivering effective assistance in this climate is likely to be direct encouragement of partnership and alliance formation. Trade assistance measures should not seek to prevent the inevitable forces of industry consolidation.

7. Investment promotion and facilitation

- What measures could be considered to improve the effectiveness of existing investment promotion programs at all levels of government?

Stronger branding of Australia as an innovative, dynamic, environmentally responsible, contemporary society. Specifically better collaboration with Tourism Australia (the holder of the biggest budget to promote Australia off-shore) to ensure we are not working at cross purposes as a country when we promote different sectors (eg Tourism) of our economy.

8. Maximising the effectiveness of trade development resources

- Are Australia's government resources – at Federal and State/Territory levels - optimally aligned to assist Australian business take advantage of the expansion and evolution in international trade and investment?
 - How do the programs/services/level and deployment of resources in Australia and offshore by the Australian Trade Commission (Austrade) and the Department of Foreign Affairs and Trade assist? What about the programs and services of other Commonwealth and State/Territory agencies?
 - How could Australian companies become more aware of and be able to more easily access and navigate the full range of relevant trade and business development

- programs (with domestic and international focus) offered by State/Territory and Commonwealth agencies?
- Are State and Federal government programs that provide support for export and international business mutually reinforcing or do they overlap inefficiently? Please provide examples of scope for improvements.

In a Federal system there will be an ongoing need to improve collaboration and clarity in service delivery and operation between different levels of Government. On the ground in-market, this works best when local leadership have flexibility and a strong commitment to an Australia Inc. approach.

APPENDIX A. About Advance

1.1 Background

Australia has one million people overseas and half a million of these expatriates are skilled professionals. The global market for talent is becoming borderless and many Australians will continue to build their careers and their lives abroad.

This document outlines a proposal for Australia to get maximum economic benefit from its powerful diaspora. To capitalise on this opportunity, there is a need for a well-resourced, structured global network of professional Australians in key fields. The expansion of the Advance footprint world wide represents the highest yield and most cost effective way of government being able to make advantageous use of the Australian professional diaspora.

It is time to invest in the mechanisms that will enable the wealth of overseas Australian talent to be effectively engaged by the country. This paper calls for a small but judicious investment, a partnership between Australians overseas, Australian industry, federal and state governments. It is designed to leverage one of Australia's most valuable human resources – our talented people overseas.

1.1 About Advance - The Leading Network of Australians overseas

Advance is a global community of Australian professionals overseas headquartered in New York City, with established activities in Boston, Chicago, Los Angeles, San Francisco, Washington DC, London and recently Paris and Dublin with activities in development in Asia and the Middle East.

Advance is a unique expatriate organisation that focuses on expatriate professionals and organises its activities around industry sectors. It is also unique in terms of geographic coverage with no other expatriate network offers live activities over so large a global footprint. Advance has been recognised by both the Singaporean and Canadian Governments as world best practice at building a next generation expatriate community and galvanising it toward economic development of the home nation.¹

Advance's mission is to galvanise the global community of Australians for the economic, cultural and social advancement of Australia. With 5% of Australia's population overseas at any one time (source: DFAT), ensuring this talent pool is not lost to the country is a national imperative.

Our four main activities are: *industry specific networking; ambassador programmes* that resource and inform Australians overseas to promote investment, business tourism and trade opportunities

¹ *Canada is Where Canadians Are: The Canadian Expatriate as an Element of International Policy.* Alison Loat, April 2004. Prepared for the Priorities and Planning Secretariat, Privy Council Office, Government of Canada. Contact Singapore Leadership Team in meeting of June 2004. We met with them again in 2007.

in Australia; *Talent Return*: connecting Australians overseas with Australian corporates and recruiters in their field both online and through industry targeted events; and *Major Global Gatherings* like the Advance 100 Global Australians Summit.

Advance supports six global industry networks: Financial Services; Life Sciences; Media, Communications and Technology; Academia and Research; the Public and Charitable sector; and the Arts.

ADVANCE GLOBAL ADVISORY BOARD

Mr Ken Allen AM, Former Australian Consul General to New York
& Chairman Emeritus of Advance.

H. E. The Hon. Richard Alston, High Commissioner to the United Kingdom.

Mr David Anstice, President, Asia Pacific Human Health, Merck & Co., Inc.

Sir Rod Eddington, Non-Executive Chairman, Australia & New Zealand, JPMorgan.

Mr Doug Elix AO, Senior Vice President & Group Executive, IBM Sales and Distribution.

Mr Bob Joss, Dean, Stanford Business School.

Mrs Josephine Linden, Managing Director, Goldman Sachs.

Mr Peter Lowy, Managing Director, the Westfield Group.

Ms Jennifer Nason, Managing Director, Global Head Technology, Media & Telecom Investment Banking JPMorgan.

Mr Brad Orgill, Chairman & Chief Executive Officer, UBS Investment Bank Australasia.

Mr Jeremy Philips, Executive Vice President, Office of the Chairman, News Corporation.

1.2 Current status and funding sources

Advance is an independent, non-partisan, not-for-profit registered as an incorporated association in the United States. We have also established an educational and charitable fund in the United States and plan to create similar funds in the United Kingdom and Hong Kong. Our funding sources consist of donations, corporate sponsorship and state and federal government fee for service partnerships. Our operating budget in the 2006 calendar year was US\$1.01m. To put this in perspective, the Singaporean Government allocated US\$11m to fund a global network of talent attraction and expatriate networking groups and the Scottish Government invests \$700,000.

1.3 Rationale for expanding these activities

The Senate Inquiry into Australian expatriates concluded that “expatriates can be an effective method of connecting domestic business with international sources of trade, investment and knowledge. It is crucial that in an expanding global economy, it is recognised that expatriates can be

a conduit for connections, investment and collaboration. Networks that facilitate this connectivity are to be encouraged².

'Tangible benefits that can accrue to a home country from its diaspora; expats can prompt bilateral trade, promote FDI, act as business middle men. And when they return home, as they usually do, they bring with them new skills and experiences and networks.'

Michael Fullilove, Program Director, Global Issues, The Lowy Institute

The Lowy Report provided clear reasons why engaging the diaspora is important to Australia's success internationally. A summary of the arguments is provided below:

Australia's diaspora is highly educated, prosperous, and successful - Given our country's population, the roll call of Australians in top international positions is extraordinary. While this list of pre-eminent Australian expatriates is impressive, it represents only the tip of the iceberg. Beneath this highly visible tier sit many other Australian workers and professionals, located in important sectors, often in regions of strategic significance. These highly talented individuals are inherently patriotic and willing to help Australians, Australian companies and Australia generally.

Australia's diaspora is large - There are nearly as many Australians living offshore at any time as there are in Tasmania and the ACT combined. Best estimates are of more than 750,000 Australians living abroad with another 250,000 away on a short-term basis at any point in time.

Australia's diaspora can help overcome our size and location disadvantages - The report cites examples where active, engaged expatriate networks generate economic benefits for home countries in the form of trade, tourism, and investment. Such network effects would be particularly valuable for Australia, given we face the twin disadvantages of a small population and significant physical distance from our trading and diplomatic partners. Effectively leveraging the power of our global diaspora will help connect us more firmly in the global economy.

² *They Still Call Australia Home: Inquiry into Australian Expatriates*, Senate Committee Report, March 2005.

APPENDIX B. Advance 100 Global Australians Summit Outcomes

1. General Consensus of the Summit

The Summit confirmed the following ten principles:

1. The globalisation of the labour market for professional and executive talent is set to increase and Australians will continue to move off-shore for opportunities. A country with a population of 20 million with 5% of its population and 10% of its workforce overseas must engage this community.
2. The Advance 100 remain strongly connected to and well disposed to this country. Leading Australians overseas are a highly mobile group moving between countries. They have extensive networks and spheres of influence. Leading Australians overseas should be considered a major element in Australia's public diplomacy kit bag. They are currently almost totally unused with little global application of their talents and resources to Australia's public diplomacy objectives.
3. Leading Australians overseas present a dynamic and rich portrait of contemporary Australia (the arts, humanitarian leadership, science, financial services, general management, technology, media) which compliments other images of Australia and its primacy in sport and entertainment. It is important that this community is embraced in the national conversation and national spirit.
4. Australians overseas at the pinnacle of their careers would like to play more of a role in Australia's future in both a general and in industry specific ways. They possess the capacity to influence investment, trade and philanthropic flows from overseas and to contribute to important national debates (particularly in higher education; the development of innovative industries and capital markets policies). It is time to capitalise on the talent and goodwill of leading Australians overseas with the right mechanisms and investment to leverage this national resource.
5. The Advance 100 reinforced the importance to Australia of marketing our national capabilities and resources including global centres of excellence in research, business, education and financial services. There is more to Australia than being a great tourism destination and our international marketing and public diplomacy need to reflect this.
6. The technology and communications infrastructure now exists to sustain and support a global community of Australian professionals organised by industry groups and connected to Australia. Australians are able to stay informed about Australia, read newspapers and maintain networks in Australia. The quality and potential outcomes of developing this network are enriched by the technology.

7. The Advance 100 Global Australians Summit represented a powerful milestone on this journey to create a formidable, global, responsive network of leading Australians around the world as an important Australian asset. This event should be held on a bi-annual basis.
8. The Advance 100 overseas are prepared to invest, personally and through their businesses and corporations, in a partnership with federal and state governments to strengthen Advance and build out this network and ensure it delivers valuable outcomes for Australia.
9. There is urgency for Australia to increase our investment and improve our performance in higher education, research and development. A consensus emerged that Australia has been slipping behind in this area for sometime. Given the competition coming on-stream, particularly in the Asia region, the future prosperity of Australia depends upon well resourced institutions of higher learning, research and development and commercialisation.
10. The Advance 100 at the Summit and subsequently, have expressed a desire to make the most of this opportunity to build on this momentum and to continue to work to develop the structure to leverage the “world wide web” of Australians. Advance is seen as an excellent vehicle to drive this plan, possessing existing infrastructure and track record, traction in key centres and an expanding global footprint.

2. TEN RECOMMENDATIONS THAT EMERGED FROM THE ADVANCE 100 GLOBAL AUSTRALIANS SUMMIT.

The Summit put forward ten recommendations for engaging the Australian diaspora and enhancing links between Australia and Australian professionals overseas. These recommendations are designed to be implemented through partnerships between Australian corporations, government, non-government organisations and institutions, and Australian professionals overseas.

1. Include expatriates in the national conversation – recognize the importance of maintaining connections with this important constituency.
2. Develop infrastructures and industry networks – support the creation of infrastructures and networks to keep Australians overseas connected to each other and Australia.
3. Expand online networks – support the development of online communities, services and content for Australian professionals overseas.
4. Foster public diplomacy – expand programmes to leverage leading Australians overseas to promote Australia as a trade, investment, education and tourism destination.
5. Support talent return – promote initiatives to recognize the value of overseas experience for Australian business and to attract Australian professionals overseas back to Australia.
6. Leverage existing networks – support coordination between existing expatriate and alumni networks worldwide.
7. Enable philanthropy from afar – champion the creation of off-shore philanthropic funds with the appropriate legal and financial infrastructure to allow Australians overseas to make tax-deductible contributions to Australian not-for-profit institutions.
8. Collect comprehensive data – build a database of quality information about Australian professionals overseas.
9. Promote citizenship and voting – encourage active citizenship and involvement in Australia’s democratic processes.
10. Implement policy and coordination – instigate appropriate vehicles for maintaining



momentum and stewarding programmes to achieve the objectives of an engaged and informed community of Australian professionals overseas.