



**Australian Government**

**Austrade**

Submission to the  
Review of Export  
Policies and Programs

**Austrade**

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## Executive Summary

This submission discusses the role of Government in assisting businesses to overcome impediments to trade and investment and outlines a number of issues for consideration in advancing Australia's exports and international businesses. The issues outlined in the submission are drawn both from research and Austrade's experience working with a wide range of Australian businesses as they seek to enter the international market and grow their international business activities.

The Australian community benefits from the wealth created by our open economy and the engagement of individual Australian businesses in international trade and investment. There are, however, many barriers to trade and investment which, if left unaddressed, reduce the ability of Australian businesses to expand globally. An important part of Austrade's role is to assist Australian businesses overcome the impediments they face in expanding their international business. For many businesses, the chief impediments are lack of access to working capital, insufficient market information, lack of overseas contacts and unfamiliar business practices. Austrade provides assistance on all of these fronts.

Austrade will shortly assume responsibility for inward investment and responsibility for the Global Opportunities (GO) program, which aims to assist Australian industry to form clusters to boost their competitive advantage, link into global supply chains and bid collectively for international projects. These changes will enable Austrade to deliver an integrated suite of trade and investment services in support of Australian businesses.

Based on Australian and international research and Austrade's experience working with Australian businesses, some of the issues and topics that the Review may wish to examine are as follows. This list is not intended to be exhaustive or address the full charter of the Review, but rather represents a range of factors based on Austrade's experience.

- Enhancing trade policy and programs through broad-based business input.
- Matching contemporary business needs with Government services and programs.
- Recognising and supporting emerging business models.
- Positioning financial assistance programs to meet business needs.
- Balancing support for all sectors while encouraging high value/growth sectors.
- Supporting businesses across the whole range of international markets.
- Coordinating the trade promotion effort.
- Leveraging existing national brands for business outcomes.
- Building awareness of trade and an international business culture.

## Trade and investment and the role of government

This first section describes the importance of trade and investment to the Australian community and provides the context for the balance of the submission which focuses on a range of factors which are important to advancing Australia's exports and international business. It highlights the impediments that individual businesses face in their endeavours to engage with the global economy and compares the level of government support provided by trade promotion organisations of other comparable economies. It concludes by outlining the new role for Austrade, which will now facilitate the delivery of an integrated suite of trade and investment services to the Australian business community.

### Trade and investment – important to the Australian community

***International trade and investment is essential to growth of community wealth***

The Australian community benefits from the wealth created by our open economy and the engagement of individual Australian businesses in international trade and investment. The research evidence shows that trade and foreign investment delivers jobs, benefits consumers, enhances business performance, and lowers costs for business.

Austrade's research into the exporting community has confirmed that the benefits of export are spread widely and deeply. The *Knowing and Growing the Exporter Community* research conducted in 2002 identified that one in five jobs depends upon exports with this figure rising to one in four jobs in regional Australia. It also identified that exporting provides social benefits by improving labour market outcomes for companies and for workers because companies innovate and invest in human capital to compete internationally. As a result, both large and small exporters are more likely to provide higher quality jobs and better working conditions than non-exporters.

The benefit from increased trade to the wealth and welfare of nations has long been accepted. Most recently, research conducted by the United Kingdom Department of Trade and Industry (UK DTI) confirmed the benefits from increased international trade and investment. Its 2006 report on *International Trade and Investment – the Economic Rationale for Government Support* (“UK DTI Report”) identified that trade and investment produces: direct and indirect productivity effects because exporters and globalised companies tend to have higher than average productivity; competition effects stimulated by the opportunity for foreign firms to compete with domestic companies; and innovation effects because the rewards from successful innovation are greater when companies are able to sell into larger markets.

More recent research conducted by Austrade/Sensis demonstrates that trade also benefits a wide range of companies, not just large firms. The research reveals that Australian Small to Medium Enterprises (SMEs) engaged in exporting tend to be more profitable, more innovative, and more productive than non-exporters and that they are involved in traditional markets as well as emerging economy markets. Furthermore, exporting SMEs pay higher wages and provide better conditions with more job security than non-exporting SMEs.

With increasing globalisation, the nature of Australia's international economic relationships is changing. While primary commodities remain a

significant component of Australia's exports, there is a richness, diversity and depth to Australia's international business activity that has not always been well-recognised. By way of example:

- educational services are now Australia's third largest export and largest service export;
- businesses such as Cochlear and Resmed are world leading suppliers of sophisticated hospital and medical devices;
- Bishop Steering Technology has joint venture arrangements in Europe, USA and the ROK, and some 20 percent of passenger cars produced worldwide use Bishop's steering technology;
- Flight Training Adelaide is training commercial pilots for a number of the world's airlines, such as JAL, Cathay Pacific, Emirates and British Airways;
- Gloria Jeans is a global coffee house chain, second only to Starbucks with franchises in over 30 countries;
- Westfield, the world's largest owner operator of shopping centres, operates 118 shopping centres around the world of which just under half are in the United States.

These examples serve to highlight the increasing trend among Australian businesses, which are moving beyond traditional models of exporting to engage in global supply chains, joint ventures, outwards investment, licensing and franchising, as part of their approach to internationalisation. This trend has been recognised in recent publications including the AiG's 2006 *Manufacturing Futures: Achieving Global Fitness* report, which showed, after surveying over 800 companies, that globalisation activities were accelerating rapidly.

The role of outward investment in the global engagement plans of individual Australian businesses is also changing. In a 2007 Committee for Economic Development of Australia (CEDA) paper, *Export weakness, investment strength*, Dr John Edwards noted that on current trends, Australia's outward foreign direct investment (FDI) will soon exceed inward FDI from other countries. Furthermore, *The Diplomat's* Global 100 survey of Australia's top international companies reveals that while Australia's exports grew by just 2.5 per cent in 2007, over the same period, the foreign earnings of the companies surveyed grew by 15.3 per cent. This lends support to the notion that offshore investment is driving substantial growth for Australian businesses.

The impact of globalisation on Australia's national prosperity will depend not only on the decisions Australian businesses make about how they respond to the opportunities presented to engage in more complex trade and investment models but also the policies and programs put in place by Government to encourage Australian business to initiate trade and investment in order to maximise business outcomes.

## Businesses face impediments to trade and investment

*There are barriers both at and behind national borders and at the level of individual firms*

Impediments faced by Australian businesses include:

- barriers at the border such as tariffs and quotas;
- barriers behind-the-border which are wide ranging in nature but often include standards and foreign regulations relating to protection of intellectual property, foreign investment and establishing joint ventures;
- impediments often experienced at the firm level, including shortage of access to working capital, difficulties accessing long term sources of funding, insufficient market information, lack of overseas contacts, unfamiliar foreign business practices and high set up costs for international markets; and
- domestic impediments such as labour shortages and capacity constraints.

Left unaddressed these barriers reduce the ability of Australian businesses to initiate trade and investment and expand globally, which in turn impacts on Australia's future economic growth and national prosperity. There are opportunity costs if Australian businesses choose not to take up the challenge of internationalising their businesses. The *Knowing and Growing the Exporter Community* research conducted by Austrade in 2002 showed that the percentage of Australian companies that are engaged in export is low compared with other industrialised economies. It is beneficial for Government to intervene in areas that will address barriers to trade.

*Barriers to trade and investment can vary with a company's stage of international experience and focus*

Barriers to trade can vary depending on the scale of an individual business and their stage of internationalisation. By world standards, most Australian businesses are small to medium sized. In its *Draft Report on the Top Barriers and Drivers to SME Internationalisation* of April 2008 the Organisation for Economic Co-operation and Development (OECD – the "OECD Survey") reports that the main barriers to internationalisation for SMEs are:

- (1) shortage of access to working capital to finance exports;
- (2) identifying foreign business opportunities;
- (3) limited information to locate/analyse markets;
- (4) inability to contact potential overseas customers; and
- (5) obtaining reliable foreign representation.

In addition to the top five impediments, other impediments listed were:

- (6) lack of managerial time to deal with internationalisation;
- (7) inadequate quantity of and/or untrained personnel for internationalisation;
- (8) difficulty in matching competitors' prices;
- (9) lack of home government assistance/incentives; and
- (10) excessive transportation costs.

***Supporting businesses to overcome impediments enhances business and national prosperity***

There is strong evidence that Government support can generate significant benefits for both individual companies and for increasing national prosperity. As an example, the UK DTI Report has identified that Government support for international trade and investment generates high levels of additional net benefit relative to the costs involved. This work is consistent with Australian studies, including previous reviews of the Export Market Development Grant (EMDG) scheme. These benefits come through a number of different channels including through productivity effects; competition and innovation. Moreover, the research identified substantial qualitative benefits including increased skills and capabilities.

Austrade's primary role is to assist Australian businesses to overcome barriers to trade by delivering programs and services that the private sector cannot or is not well placed, or compensated, to provide. For example, Austrade is able to use the badge of Government to connect Australian businesses with government representatives, influencers and key decision-makers in a way that the private sector cannot or is unable to access in a timely way. Austrade targets its services towards helping firms address the types of impediments to internationalisation identified in the OECD report, as shown in the table below.

**Table 1 – Austrade's Activities to Address Impediments to Trade**

Impediments to trade and investment	Austrade current service or program
1) shortage of access to working capital to finance exports	The Export Market Development Grants (EMDG) scheme helps reduce the risk of entering export markets by partially offsetting the cost of eligible export expenditure. Information on export financing and referrals by Austrade's onshore network to relevant providers such as EFIC, plus the banks and accounting firms through Austrade's Corporate Partnerships program.
2) identifying foreign business opportunities	Maintenance of an offshore network to identify new market opportunities, facilitate introductions to overseas buyers and partners and work with businesses in market to support their export and international business success. Distribution of foreign business opportunities is facilitated through Austrade's onshore network.
3) limited information to locate/analyse markets	Maintenance of an onshore and offshore network to provide information, services and advice on overseas markets and market selection and entry.
4) inability to contact potential overseas customers	Maintenance of an offshore network to facilitate introductions to prospective overseas customers/contacts and use of official status to make representations and open doors for Australian firms.
5) obtaining reliable foreign representation	Maintenance of an onshore and offshore network which works in collaboration with the Department of Foreign Affairs and Trade to facilitate access for Australian firms to government representatives, influencers and key decision-makers, as well as to appropriate potential agents and representatives.

***Demand for Austrade's services is increasing***

Austrade's experience has been that the demand for its services has been increasing, reinforcing the need for providing such support to businesses. With a relatively static resource base and overseas network, in 2006-07 Austrade delivered services to some 16,000 businesses compared with approximately 9000 in 2002-03. Over the same period, the number of Australian businesses assisted by Austrade to achieve export success has increased from 2015 in 2002-03 to 5417 in 2006-07 while the export value to which businesses indicate Austrade has made a contribution has increased from \$AUD 8 billion in 2002-03 to \$AUD22.4 billion in 2006-07.

**Other countries help businesses address the impediments to trade**

***All OECD and APEC economies have trade promotion organisations***

All OECD and APEC economies including Australia operate trade and investment promotion and facilitation organisations, commonly referred to as Trade Promotion Organisations (TPOs), whose mandate it is to assist their companies overcome barriers to trade. These organisations share best practice and capability development skills through formal mechanisms such as the Asian Trade Promotion Forum and through informal channels.

There are similarities and differences between Austrade and key TPOs in comparable countries. The key similarities include:

- export financing is available, ranging from export grants to financial assistance for research and development (R&D) and information technology (IT) improvement. To illustrate the types of grants and financial assistance available:
  - Enterprise Ireland – there are three funding programs for new Irish start ups and five funding programs for established Irish companies;
  - UK Department of Trade and Industry (DTI) – there are ten products providing grants, soft loans and practical help focussed on helping companies with innovation, knowledge transfer, investment/finance and best practice;
  - New Zealand Trade and Enterprise (NZTE) — there are four different grant schemes in operation including an enterprise development fund for entrepreneurs and SMEs and a sector project fund.
- comparable trade and industry policy objectives, which generally focus on improved industry growth, competitiveness and market reach;
- domestic networks that provide export advice and services as well as business matching and outward investment promotion;
- international presence of varying size;
- a focus on SMEs and businesses with high growth prospects – ICT, biotech, agriculture and food and beverages are the most commonly targeted sectors;

- linkages with other Government agencies;
- links with industry and private sector third parties such as advisers and consultants; and
- establishment of websites as one channel to provide self service in areas of research, access to product displays and connecting trading partners.

There are also a number of differences between TPO's. These include the way in which each economy positions its TPO within its organisational framework particularly in relation to its foreign service and agencies responsible for economic development; whether there is responsibility for both trade and inward investment promotion; how 'on the ground' experience from the trade development authority is used to inform trade policy and the level of funding allocated to support trade and investment development activities.

In relation to structure and input into trade policy there are quite different approaches. A number of economies including New Zealand and Ireland have combined their trade promotion and industry development activities into one agency. In contrast, the United Kingdom's TPO (UKTI) has responsibility for trade promotion and investment attraction while their parent organisation, the UK DTI holds responsibility for industry development.

A number of other TPOs also have combined responsibility for both trade and inward investment. For example, the Irish, Korean and UK TPOs facilitate both outward and inward investment in addition to exports.

*...that provide varying levels of support and funding for trade and investment activities*

In relation to funding of trade development and investment activities, there is considerable variation. Some economies invest more than others in the level of support they provide to their companies. An updated survey of the mechanisms used by other TPOs to fund trade and investment activities is being undertaken at the time of writing. The results will be provided separately to the Review Secretariat.

The implication of these comparisons is that Australian businesses seeking to enter into international business are competing against companies from other economies that are receiving different levels of government support. The focus and support for trade events and exhibitions is a relevant example as is the funding provided for IT platforms to support companies. Awareness of what other TPOs are providing is one of the considerations in determining the trade and investment policy and program mix to assist Australian business to compete globally.

Australia complies with World Trade Organization (WTO) rules in relation to funding. Complying with WTO rules is a primary issue in any funding consideration. Australia expects other WTO members to comply with WTO rules.

## **Austrade's role now covers international trade and investment**

### ***Globalisation is changing world trade and investment***

As discussed earlier, for many Australian businesses to become internationally competitive and sustainable it is increasingly necessary that, in addition to expanding their export sales, they are able to gain access to global sources of capital, develop joint-venture opportunities, link into global supply chains and, at times, invest offshore.

Businesses are increasingly looking to invest overseas to support or underpin their export success. This shift is confirmed by key Australian business groups such as AiG and the Business Council of Australia which have identified that outward investment is an important component of success in global trade. In its *Manufacturing Futures* report (2006), the AiG reported that export and outward investment was increasingly being used to gain a cost or other competitive advantage to underpin export success. This finding is consistent with more recent studies conducted by the Export Finance and Insurance Corporation (EFIC) and *The Diplomat* magazine. In its Global Readiness Index (GRI) survey, EFIC identified that over half of businesses investing offshore do so to facilitate exports through the establishment of sales and marketing offices. *The Diplomat's* survey of Australia's top international companies revealed that during 2007, the foreign earnings of the companies surveyed grew by 15.3 per cent compared with growth in national exports of 2.5 per cent over the same period. The changing nature of world trade suggests that the nature of government assistance must also change and adapt if it is to effectively support the international business activities of Australian businesses into the future.

### ***Austrade's role has changed to include responsibility for inwards investment attraction***

The Government recently announced its intention to transfer responsibility for inward investment promotion and the delivery of the GO program from the Department of Innovation, Industry, Science and Research (DIISR) to Austrade as of 1 July 2008. The GO program aims to assist Australian businesses to form clusters in order to facilitate collaboration, link into global supply chains and to bid collectively for work on major international projects. In outlining the rationale for the transfer, the Government has emphasised its desire to create a single integrated agency to facilitate the effective and efficient delivery of trade and investment services to the Australian business community.

This enhanced role means that Austrade's Australian and international network – with representatives in 121 locations in 61 countries – will now deliver an integrated suite of programs and services focused on trade development (incorporating export promotion, outward investment and assistance to Australian businesses to bid for major international projects and link into global supply chains), as well as inward investment attraction.

### ***Austrade's new role needs to be supported by strengthening linkages between all levels of government***

While Austrade's new role as an integrated trade and investment agency will deliver benefits for globalising Australian businesses, maximising the benefits for Australia's national prosperity will require all levels of government working together to build and strengthen the linkages between trade and investment.

There are already established mechanisms through which collaboration and coordination can occur. In relation to export and international trade, the overarching coordination mechanism between the Commonwealth and state / territory governments will be the new Ministerial Council for International

Trade (MCIT) reporting to the Council of Australian Governments (COAG). In relation to investment attraction, the existing coordination mechanism is the National Investment Advisory Board (NIAB) which operates as a steering group for coordination of investment attraction activities across jurisdictions.

Through the MCIT and the NIAB the Commonwealth and state/territory governments can work together to strategically target inward investment to supplement capability and capacity gaps that impact on export success.

***....and the right mix of policies and programs***

An integrated trade and investment agency, which coordinates at the Federal and state/territory levels, and an appropriate range of policies and programs, will help to maximise trade and investment outcomes for business and contribute to Australia's national prosperity.

This section provided the context for raising a number of issues for consideration. These issues, set out with supporting explanations, are the focus of the next section of this submission.

## **Advancing Australia’s exports & international business**

This section outlines a number of issues and topics for the Review’s consideration. They are drawn both from research and Austrade’s experience working with a wide range of Australian businesses as they seek to enter international markets and grow their international business. The issues are not intended to be an exhaustive list. Rather, they represent a range of factors based on Austrade’s experience.

These issues and considerations include:

- Enhancing trade policy and programs through broad-based business input.
- Matching contemporary business needs with Government services and programs.
- Recognising and supporting emerging business models.
- Positioning financial assistance programs to meet business needs.
- Balancing support for all sectors while encouraging high value / growth sectors.
- Supporting businesses across the whole range of international markets.
- Coordinating the trade promotion effort.
- Leveraging existing national brands for business outcomes.
- Building awareness of trade and an international business culture.

These views are based on Austrade’s experience in delivering programs and services in support of Australian businesses seeking to achieve export and international business success.

### **Broad-based business input enhances trade policy and programs**

***The voice of business is essential to the trade policy process***

Trade policy outcomes rely on the ability to address barriers to trade experienced at the border (including tariffs and quantitative limitations such as quotas), behind the border (which are wide ranging and include standards, technical regulations, customs procedures, business mobility, intellectual property rights and competition policy), as well as to promote and facilitate Australian exports and investment flows. Incorporating the real experiences of businesses engaged in export and investment aids the trade policy process by highlighting the most significant barriers to trade, the impacts of trade policies and restrictions to investment.

***There are existing and new mechanisms to gather business feedback***

In addition to its day to day dealings with business, Austrade consults with Australian industry through its annual series of Export Advisory Panel (EAP) meetings with representatives from key industries including food; agribusiness; infrastructure; automotive; mining; medical devices; information, communications and technology; and education. The purpose of this consultation is to seek input on Austrade’s strategies and initiatives in various markets and also to seek advice on the emerging issues affecting the particular industries, including the identification of barriers to trade.

The Government’s intention to establish an Austrade Business Board will also provide Austrade with business input on its strategies and initiatives from representatives from the export and international business community with specialist knowledge of international issues affecting the Australian business community.

At the Federal Government level, there are efforts to drive a more integrated

approach to the consideration of trade policy issues particularly in the context of the Government's broad reform agenda and its focus on improving international trade competitiveness. The establishment of the MCIT will facilitate closer dialogue and more systematic consultation and cooperation between the Commonwealth and other jurisdictions. Austrade will support MCIT by channelling feedback from its consultation mechanisms with business as well as through the day to day interactions between business and Austrade staff, both in Australia and overseas.

*Austrade can provide business input to the trade policy process through additional channels*

In relation to Australia's objective of the liberalisation of global trade through the WTO, Austrade, along with other Departments and agencies, makes a contribution by providing on the ground feedback to the Department of Foreign Affairs and Trade (DFAT) on the impact of trade policies, market access barriers and investment restrictions encountered by Australian businesses. Feedback often occurs through interactions between DFAT and Austrade in-market.

In relation to the negotiation of bi-lateral and regional trade agreements, Austrade also makes a contribution by sharing with DFAT on the ground feedback on the impact of trade policies, markets access barriers and investment restrictions encountered by Australian businesses.

In addition, Austrade has been given a specific role in promoting the opportunities and benefits to Australian exporters from the conclusion of recent free trade agreements (such as those with, Singapore, Thailand and the United States) and providing assistance to identify opportunities, networks of customers and partners with whom Australian enterprises can do business. For example, in 2007, following the conclusion of negotiations for the *Australia - United States Free Trade Agreement (AUSFTA)*, there was a substantial increase in the number of export sales directly assisted by Austrade compared to the year prior to the commencement of the AUSFTA (2004). Furthermore, the combined value of export deals directly supported by Austrade over the same period increased notably and the number of first-time exporters seeking Austrade assistance to access the U.S market also increased, resulting in an increase in first export sales to the United States.

Such results serve to highlight the complementary role of trade development and trade policy in assisting enterprises to maximise trade outcomes from new market opportunities.

## **Government services and programs should match contemporary business needs**

*Increasing globalisation is changing the nature of support required by business*

Traditionally, Australia's involvement in export and international business development has been largely driven by export oriented business models and Australians investing overseas. However, the nature of Australia's engagement with the world at the enterprise level is changing. Australian businesses, including SMEs, are moving well beyond traditional exporting and importing to engage globally through a range of different business models including licensing, franchising, strategic alliances and investments of various kinds. The implications of these changes for all levels of Government is firstly, determining where to focus efforts in support of maximising trade and investment outcomes and secondly, defining the services and programs that will generate the most benefits and returns for

Australian businesses.

Austrade has recently undertaken a major research project entitled Journey to Export and International Business (JTE&IB). The purpose of the research was to identify the needs of Australian businesses engaging in export and international business and, in that context, the services that they would most value from a trade and investment development organisation like Austrade.

***Business needs are linked to stages of international engagement not size or location of the business***

The findings of the JTE&IB research suggest that a more useful way to categorise the service delivery needs of businesses is by their stage of internationalisation rather than company size (small to medium and large enterprises) or geographical location (rural, regional and metropolitan). The research identified that the differences in the service delivery required by businesses fall into three general segments, namely:

- *New to Export* – businesses needing help to learn and understand how to export including assistance with market selection, finding customers and opportunities, advice with business plans and practical issues like logistics and finance;
- *Expanding Export* – businesses with some international experience that need help with market entry planning and advice across a range of new markets, accessing growth finance, networking with new customers and finding in-market business partners to achieve longer-term commercial viability and export sustainability;
- *Export and Beyond* – businesses engaging with global supply chains, selling intellectual property, establishing joint ventures, investing overseas, licensing and franchising. These businesses may be active in different regions and will often be both part of international supply chains and have discrete export activity.

***Meeting business needs today requires a different mix of programs and services from the past***

Based on the outcomes of this research, Austrade has commenced a program to strengthen and enhance its services to meet the needs of businesses across the different segments. In particular, a program of services is underway for the Export and Beyond category. In doing so, Austrade is providing support for businesses across the full internationalisation continuum.

A summary of the JTE&IB research and its findings together with an outline of Austrade's service offering to the three segments will be provided separately to the Review Secretariat.

On the basis of Austrade's research and experience, there is a role for government to support businesses across all the stages of internationalisation and an area of opportunity is to provide enhanced support for Australian businesses that are categorised as operating in the Export and Beyond segment. The following section provides an outline of some of the initial work Austrade is undertaking in this area.

## **Recognising and supporting emerging business models**

***Adapting services to respond to new business models***

Assisting Australian businesses to better integrate into the global economy requires the provision of a different range of services than has traditionally been delivered.

While Austrade is already taking action to enhance its programs and services

to assist companies in the Export and Beyond segment, the transfer of responsibility for the inwards investment function and the transfer of the GO program to Austrade provides an opportunity to further enhance Austrade's capacity to assist businesses diversifying their international business endeavours.

*Austrade's capacity to support businesses to form clusters has been enhanced*

The transfer of the GO program will enable Austrade to combine key elements of the program into work that it is doing to facilitate collaboration between companies in international markets. The following initiatives provide some recent examples of Austrade's work to assist Australian businesses in this area.

- **The Team Australia Automotive program** – this program is directed at accessing North American vehicle manufacturers' supply chains. The initiative has been partly funded by the Supplier Access to Major Projects – Global (SAMPG) program since its inception in February 2007 and is managed by a consortium of Austrade, the Industry Capability Network, the Victorian Department of Industry and Regional Development, the South Australian Department of Trade and Economic Development and the Federation of Automotive Products Manufacturers.
- **The Selling to EADS Program** – starting in January 2007, this program aims to facilitate access to the supply chains of the European Aeronautic Defence and Space Company and its business units such as Airbus, Eurocopter and Defence and Security Systems as well as their Tier 1 and Tier 2 suppliers. Austrade is working with Australian Aerospace as part of an industry involvement program to initially assist twenty four companies with a further twenty nine accepted for subsequent assistance.
- **Middle East Health Consortia** - Austrade facilitated the formation of HealthTeam Australia which comprises twelve health services organizations whose common goal is to target greenfield hospital projects with the aim of offering a turnkey hospital project solution to various Middle East countries. The group comprises a contractor, architect, hospital designer, facilities management (hard and soft) companies, a hospital operator, a medical procurement consolidator and manager and a financial institution and training University. It is anticipated that an Australian built and operated hospital will also procure Australian health and medical devices, equipment and technology.
- **Sport Infrastructure** – Building on the success of the Sydney 2000 Olympics and Melbourne 2006 Commonwealth Games, Austrade has assisted many Australian companies to win supply chain opportunities in the design, planning, engineering, construction and implementation stages of major sporting events including the Athens 2004 Olympic Games, Doha 2006 Asian Games, Beijing 2008 Olympic Games, New Delhi 2010 Commonwealth Games (supported by SAMPG funding via ICN Victoria) and the 2012 London Olympics. To date, Austrade has assisted more than 50 business successes over the last 5 year period.
- **Tsunami Reconstruction** – Austrade has provided ongoing

assistance to Australian companies to pursue tsunami-related project opportunities. A number of Australian companies have already benefited from Austrade's assistance in securing Tsunami related projects including hospital refurbishment in Aceh, timber supply to build shelters in Aceh and Northern Sumatra, construction of a community centre and emergency house in Aceh, construction of relief housing in Sri Lanka and project management services for community development in the Maldives.

- **Iraq Reconstruction** - In 2002, Austrade developed strategies to assist Australian companies to access project and supply chain opportunities for the Iraq Reconstruction including opportunities in humanitarian aid and US-funded projects as well as multilateral and regional projects. To date, Austrade has assisted more than 135 Australian companies to win business in Iraq worth over \$AUD120 million.
- **New Orleans Reconstruction** - Austrade has been working in partnership with the Industry Capability Network to access engineering and construction related project opportunities following the devastation of Hurricane Katrina. Austrade's activities are being supported by funding under the Supplier Access to Major Projects – Global (SAMPG) Program and some initial successes have been achieved.
- **Rail** - Austrade in association with the Australian Railway Industry Corporation (ARIC) promotes Australian rail suppliers in a range of different industry segments and assists in the formation of cluster groups to match supply-chain opportunities. Significant business success in the Hong Kong / Macau region and the UAE-Middle East region has already been achieved and there is a current focus on project opportunities in other markets including Indonesia.
- **Mining** – Working in partnership with Austmine, Austrade has developed a database of suppliers of mining services; is undertaking a detailed supply chain analysis in target regions and markets; is coordinating a substantial program of overseas promotional events including national pavilions at international exhibitions and conferences and mine site visits; and has developed a global network to identify significant supply chain opportunities.

Supporting cooperation between businesses and the formation of business clusters can assist firms access a broader array of international opportunities, improving their competitiveness in the international market-place. This collaboration needs to be considered in the context of any relevant domestic or international regulatory frameworks.

***Supporting e-business***

There are a number of other emerging business models being utilised by businesses to engage globally. As ways of doing business change so does the nature of the support required. For example, the increasing use of the web for business has provided significant opportunities for small companies to grow their business internationally without incurring the traditionally high costs of entering international markets. Austrade has responded by delivering e-business advisory workshops for SMEs to enhance their on-line business capability and has developed its own web channel capability to

deliver more export coaching material online for the convenience of its clients.

Maintaining flexibility to quickly recognise and adapt service delivery to meet the needs of businesses as they engage in new business models will remain a high priority for Austrade.

## **Positioning financial assistance programs to meet business needs**

### ***Access to capital is rated as a key barrier to international business growth***

Access to capital as a barrier to export and international business expansion is consistently rated by Australian SME businesses as either the first or second most significant constraint they face (Source: OECD survey, EFIC GRI survey, CIE EMDG review analysis).

Based on Austrade's experience working with Australian businesses, combined with information obtained through the JTE&IB research, some of the factors identified by exporters and businesses investing overseas as leading to difficulties in accessing finance are:

- Some Australian businesses are unaware of financing options beyond those they have traditionally used (particularly in relation to equity);
- Banks typically require “bricks and mortar” security in Australia as cash flow, international debtors and foreign assets are not significantly weighted in the bank's credit assessments;
- The financing needs of SMEs are becoming increasingly complex as assets purchased offshore are not usually available as security to domestic financial institutions;
- Overseas financial institutions are often reluctant to provide attractive finance when the majority of a company's other banking transactions and the cash flow of the business is generally in Australia.
- Australian businesses can therefore fall in between banks in the domestic market and the market into which they are expanding.

In addition, feedback to Austrade suggests that smaller business need assistance with preparation and presentation in order to secure appropriate finance and the branch network of Australia's major banks face challenges identifying exporting businesses' needs.

There are a number of government programs at both the Federal and state/territory government levels that focus on offsetting the costs of entering and developing export markets. These include:

### ***EMDG is the Government's key financial assistance program for aspiring and small exporters***

- The Export Market Development Grants (EMDG) scheme, administered by Austrade, provides reimbursement of up to 50 per cent of eligible marketing/promotional expenditure above a current threshold of \$15,000. It is currently funded at approximately \$150m per annum and assists around 4,000 companies per annum. From 2009/10 the funding of the scheme will increase by \$50 million per annum. Over the life of the EMDG scheme, it has been reviewed at regular intervals. Every review has found that the scheme assists SMEs to develop into new exporters; become sustainable in export markets and further develops an export culture in Australia. This view is strongly supported by business and industry as evidenced by submissions made to the various EMDG reviews over the past decade. Austrade's research into the EMDG

scheme also demonstrates that where exporters are provided with additional funds they have a preference for investing in expanding their export marketing over upgrading their facilities or domestic marketing (CIE EMDG research).

***There are a range of financial programs for exporters across different levels of government***

- State/Territory government programs – while programs vary across states and territories, they focus primarily around grants which generally sit “below” the EMDG scheme’s eligibility thresholds and are designed to provide assistance with visiting overseas markets and trade fair participation. Funding is very small compared to EMDG; most programs would be well under \$5 million per annum.
- The Department of Innovation, Industry, Science and Research (DIISR), while not specifically aimed at financing export or international business activities, provides a range of financial programs that support early stage business development through development focussing on people, innovation, research and development, international competitiveness, commercialisation and productivity.
- The Export Finance and Insurance Corporation (EFIC) is mandated to operate beyond the limits of the commercial market by providing specialist finance and insurance services for exporters when financial, country or industry risks exceed the capacity available in financial markets. It does not compete with the commercial market, but collaborates with it to improve the competitiveness of Australian companies. In 2007, EFIC supported \$1.4 billion in exports and investments through its 35 finance facilities.

In its 2007 policy document “*A strong future for Australia’s exports*”, the government announced that it would, as part of its Review of Export Policies and Program, explore the need for concessional loans schemes for companies that have exhausted their entitlement to EMDG.

Austrade has previously managed two concessional loan schemes:

- Innovative Agricultural Marketing Program (IAMP) – a financial program that commenced in 1986 with funding provided either as a concessional loan, an advance against royalties or a combination of both; and
- The International Trade Enhancement Scheme (ITES) – a loan or royalty program that commenced in 1990. Loans were provided for three years interest-free and thereafter at 40% of the Commonwealth Bank reference rate for the 7 year term.

Both programs were closed to new lending in 1996 as a result of decisions taken in the 1996 Federal budget, although existing commitments were honoured.

In June 2006, Austrade conducted a final internal review of ITES and IAMP. That review noted that foreign exchange earnings reported by relevant companies against ITES projects amounted to \$6.5 billion. Against funds advanced, that figure represented a return of 55:1. The review noted however that notwithstanding efforts to measure only the incremental earnings, not all the returns should be attributed to the ITES assistance alone.

Most of Australia’s major trade competitors support their exporters in various ways including by offering grants, loans, tax incentives, guarantees

***Other economies provide a range of financial support for their exporters***

and insurance, each with its unique eligibility criteria and level of assistance available. These programs are tailored to the particular circumstances of each country. As noted above, Austrade will provide the review with additional information on this issue.

In considering alternatives to support the financial needs of Australian businesses seeking to internationalise, the degree and method of any assistance needs to be consistent with Australia's obligations as a member of the World Trade Organisation (WTO).

**Balancing support for all sectors while encouraging high value / growth sectors**

***There is a strong rationale for providing support across industry sectors***

Australia's top export sectors by export value are the established primary industries of mining, fuels and raw materials (Source: ABS – Trade in Goods and Services category). In contrast, in terms of the number of business exporters, the top sectors are wholesale and retail traders, manufacturers and property and business service providers (Source: ABS - Number and characteristics of Australian exporters).

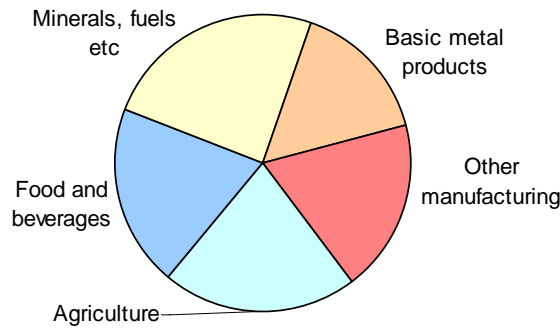
Providing assistance to established versus priority or emerging sectors can produce different trade outcomes. These different outcomes need to be taken into consideration when making decisions about which sectors to support to achieve the best outcomes for Australian businesses and Australia's national prosperity. Providing support only for established sectors, while maximising export value now, may not contribute towards the development of emerging sectors, which may become the future backbone of the Australian international business community. Alternatively, providing support only for expanding or emerging sectors may miss major opportunities in mature markets.

The United Kingdom Trade and Investment organisation (UKTI) has undertaken a comparison of their current top 10 export sectors against the top 10 export sectors from 40 years ago (Source: UKTI – International Trade and Investment – the Economic rationale for Government support). The results showed that only two sectors remained in the current top five list and five sectors had dropped out of the top ten altogether.

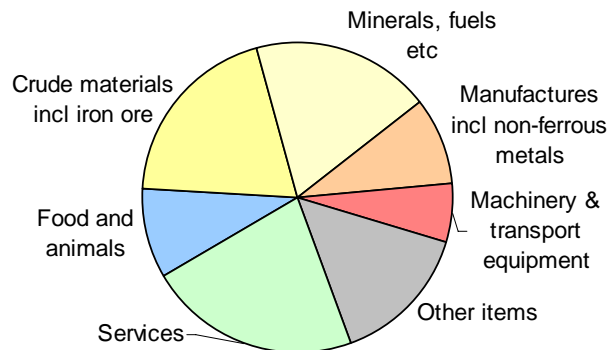
A comparable analysis of Australia's top export sectors between 1981-82 and 2006-07 (Source: ABS International Trade in Goods and Services, June 2007) reveals notable changes in the relative importance of major industry sectors to Australia's export performance.

Of the five major export sectors from 1981-82, agriculture has increased in dollar value but has diminished in its relative importance as an export sector, while the importance of minerals and raw materials has increased over this period. The services sector has emerged as a major contributor to export and other industry sectors now also make a greater contribution to Australia's export performance.

**1981-82 Exports by Major Sector**  
(96% of all exports)



**2006-07 Exports by Major Sector**  
(96% of all exports)



Reflecting this broad export industry base Austrade has established 10 dedicated industry teams, supported by 16 industry networks across a broad range of sectors. The role of the industry teams is to manage Austrade’s engagement with industry, coordinate the delivery of industry-specific activities and promote a national approach to planning and implementing events in Australia and overseas.

***...with additional resources allocated to high growth / value sectors***

The Government has consistently identified Australia’s services industry, and in particular the financial services sector, as offering high potential for export and international business success. This view is supported by the over-representation of companies from the services and financial services industries in *The Diplomat* Global 100 list of Australia’s top international companies by foreign revenue. The Government also identified the interest of the international community in addressing the challenges of climate change and global warming as presenting a significant opportunity for a growing export industry in clean energy technologies and services. In both cases, Austrade has been asked to target its assistance to the needs of these industry sectors and the establishment of dedicated industry teams to promote Australia’s capability in these sectors internationally reflects Austrade’s response to these policy priorities.

Decisions about which established and priority/emerging industry sectors should be a focus of support should continue to be guided by Government policy informed by empirical evidence on the industry sectors most likely to benefit from support in the short, medium and longer term.

## Supporting businesses across the whole range of international markets

<p><i>The allocation of resources to support businesses in different markets is driven by a combination of government policy and the interests of business</i></p>	<p>Decisions about how to allocate trade and investment resources in support of particular international markets are guided by the trade and investment policy outcomes being sought by Government and the interests of Australian businesses in terms of the markets they seek to target.</p> <p>Responding to the recent trade policy emphasis on emerging and FTA markets and the opportunities they present, Austrade has significantly increased its resources in China, India and the United States. At the same time, Austrade has maintained a broad presence in over 110 locations in more than 60 countries in recognition that Australian businesses are seeking to target a broad range of markets. This approach delivers both focus and reach.</p>
	<p>Australia's principal merchandise export markets by export value are Japan (19 per cent), China (14 per cent), the European Union (11 per cent), the Association of South-East Asian Nations (ASEAN) (11 per cent), the United States (6 per cent) and New Zealand (6 per cent). The fastest growing Australian export markets over the last 5 years, measured by export value, were India, Vietnam and China. By contrast, the top export markets by exporter numbers are New Zealand (17,815) and the United States (9,316). These variations in the relative importance of different markets according to export revenue, pace of growth and exporter numbers serve to illustrate the range of international markets in which Australian businesses seek support. Different types of markets and market entry strategies also drive a need for different access to support and a wide range of services.</p>
<p><i>Australian businesses need different types of support in different markets</i></p>	<p>Australian businesses are mobile and opportunistic, taking advantage of opportunities in all parts of the world. This takes businesses well beyond the capital cities to regional markets, for example in China which can be seen as up to ten regional markets, from the Pearl River Delta to the northern provincial economies. The same is true in the US where Los Angeles itself stands as the eighth largest market in the world but there are also significant business opportunities in many other US markets such as the Mid-West and Florida.</p> <p>Effective support for Australian businesses therefore needs to be available both in capital cities and in the locations businesses have identified through their own decision-making processes as the target markets. Equally, effective support needs to deliver services which meet the needs of businesses in different markets. For example, Australian businesses in China might need assistance in relation to accessing Government officials, overcoming language barriers, familiarisation with business culture and business rules whereas in the US businesses are more likely to need support in relation to accessing key decision makers, understanding American business practice and assistance with attracting attention in a competitive market.</p>
<p><i>Ready access to support overseas will help Australian companies to succeed</i></p>	<p>Austrade's allocation of resources overseas is based on experience that an established presence in multiple markets is a vital element of effective service delivery. The model provides on the ground knowledge which is an essential input to effective service delivery and policy formulation. It supports Austrade's ability to assist clients by reducing the time, cost and risk of entering international markets.</p>

Austrade's model allows it to be responsive and agile in providing services in locations where businesses are seeking assistance. The low cost of a small presence in any one location provides the ability to be flexible to changing priorities and the changing needs of business. Austrade's expansion of activities in India and China are examples of the organisation's ability to quickly respond to emerging opportunities. In addition, this approach can enable consular services to be delivered in a greater number of locations where this is a priority for the Government.

Austrade's model of reach is also maintained in Australia, with Austrade and TradeStart providing a dispersed, flexible network. At 31 March 2008, the TradeStart network had offices in 50 locations, including many regional and metropolitan sites. TradeStart is highly valued by Australian business. It is a key element of the integrated onshore and offshore network and provides continuity of service as businesses move from early development of international business activities to become more established in overseas markets.

Austrade's activities are also strengthened by partnering arrangements with allies, both in Australia and overseas. In addition to the TradeStart program described above, Austrade extends its reach through the Corporate Partners (described later in this submission) program and works closely with DFAT both on and off shore.

Austrade's experience is that a widely dispersed model both onshore and offshore providing Australian companies with service in many locations results in a competitive advantage for Australia.

## **Coordinating the trade promotion effort**

### ***Coordination at Commonwealth level***

There are a range of Commonwealth departments and agencies with an interest in trade and investment development with whom Austrade coordinates its efforts. The key organisations include:

- Department of Foreign Affairs and Trade (DFAT)
- Department of Innovation, Industry, Science and Research (DIISR)
- Department of Agriculture, Fisheries and Forestry (DAFF)
- Export Finance and Insurance Corporation (EFIC)
- Department of Education, Employment and Workplace Relations (DEEWR)
- Department of Resources, Energy and Tourism (DRET)
- Department of Defence (DOD)

The role of these organisations in relation to trade and investment development activities varies. The main focus for DFAT is trade negotiations and developing the broad policy framework within which trade and investment activities are conducted. DIISR's focus is on innovation and manufacturing and tertiary industry development while other agencies, such as DAFF, DRET and DOD are focussed on their respective industry sectors as well as being involved in trade promotion activities related to those industries. By comparison, Austrade maintains a broad mandate to deliver trade and investment development services to businesses across all industries

and sectors and a wide range of international markets.

Austrade has established Memoranda of Understanding (MOU's) or other agreements with many of these departments and agencies, which outline the overarching principles and guidelines for cooperation in relation to export development and promotion activities. Where no formal agreement exists, there are other coordinating arrangements in place. A summary of Austrade's interaction with key Commonwealth departments and agencies involved in trade development and export promotion is at **Appendix B**.

At present there is no single formal mechanism through which the trade development and export promotion activities of Commonwealth agencies is coordinated. The Government's intention to establish a high level consultative inter-agency group, as outlined in its trade policy election document, will provide an ideal forum through which this coordination can occur.

***Coordination  
between the  
Commonwealth  
and state and  
territory  
governments***

Austrade has established both formal and informal linkages with the state and territory Governments' trade and economic development agencies. These linkages include sharing of business and promotional plans, joint participation in international business promotions both in Australia and overseas and regular meetings between Austrade state managers and relevant state/territory agency officials.

The Prime Minister has agreed to establish a Ministerial Council for International Trade reporting to the Council of Australian Governments. It is expected that the Senior Trade Officials Group will provide support for this new Council. Austrade will continue to be involved in the Senior Trade Officials Group, which comprises representatives from all state and territory Governments and relevant Federal Government agencies involved in trade development. This group addresses programs, activities and matters of mutual interest and is the formal mechanism through which the Commonwealth consults with the states and territories on trade related issues.

***Commonwealth  
and state  
representation  
overseas***

The state Governments of Western Australia, Victoria, Queensland and South Australia collectively operate a network of 43 trade offices overseas (see Table 2 below). In all but one location (Jinan, China), Austrade also has an office. Currently, NSW, Tasmania, the Northern Territory and the ACT do not operate offices offshore. NSW has a formal arrangement with Austrade to undertake activity on its behalf.

In Hong Kong, Austrade employs staff within its office on behalf of the South Australian Government. Austrade has been exploring extending this model, and similar models, with other state governments. In addition to potential cost efficiencies, this model may offer the opportunity for greater coordination of business programs and outcomes.

It is important to recognise that many state government offices offshore perform functions that are wider than trade development and promotion and encompass tourism promotion, business migration and inward investment. The integration of the inward investment function within Austrade is likely to drive stronger coordination between Austrade and state government offices overseas in relation to investment facilitation.

**Table 2: State Government Representation Overseas**

<i>Western Australia</i>	<i>Queensland</i>
<b><u>Staff located in the same building as Austrade</u></b>	<b><u>Staff located in the same building as Austrade</u></b>
China (Shanghai) Indonesia (Jakarta) South Korea (Seoul) United Kingdom (London)	China (Shanghai, Hong Kong) India (Bangalore)
<b><u>Stand-alone State office</u></b>	<b><u>Stand-alone State office</u></b>
China (Hangzhou) India (Mumbai and Chennai) Japan (Tokyo and Kobe) Malaysia (Kuala Lumpur) United Arab Emirates (Dubai) United States (Los Angeles)	China (Beijing, Guangzhou) Indonesia (Jakarta) Japan (Tokyo and Osaka) South Korea (Seoul) Saudi Arabia (Riyadh) Taiwan (Taipei) United Arab Emirates (Abu Dhabi) United Kingdom (London) United States (Los Angeles)
<i>Victoria</i>	<i>South Australia</i>
<b><u>Staff located in the same building as Austrade</u></b>	<b><u>Staff located in the same building as Austrade</u></b>
United States (Chicago, San Francisco) China (Nanjing)	India (Chennai)
<b><u>Stand-alone State office</u></b>	<b><u>Stand-alone State office</u></b>
China (Hong Kong, Shanghai) India (Bangalore) Germany (Frankfurt) Japan (Tokyo) Malaysia (Kuala Lumpur proposed opening 2008/09) United Arab Emirates (Dubai) United Kingdom (London) United States (New York)	China (Jinan, Shanghai) Singapore United Arab Emirates (Dubai) United Kingdom (London)
	<b><u>Staff employed by Austrade on behalf of the state Government</u></b>
	China (Hong Kong)

## Leveraging existing national brands for business outcomes

### ***The national 'brand' impacts on trade and investment outcomes***

While Australia is often highly ranked in international comparative tables relating to business environment as well as to lifestyle, political and economic stability and other economic criteria, it is not as readily mentioned as a key trading destination or partner. This may be because our national 'brand' is either based on high profile celebrities, 'lifestyle' (i.e. beach and tourism promotions) or the resources sector. Australia does not have readily identifiable brands in manufacturing as Germany has with BMW and Mercedes or Finland has with Nokia.

Accordingly, it is important that continuing emphasis is given to national promotion of 'Brand Australia' overseas to leverage the brand for trade and investment. Without this, lack of knowledge and information in the overseas business community may operate as an impediment to international business

***Building on  
Brand Australia  
offers potential  
to raise  
Australia's  
profile  
internationally  
as a business  
partner***

growth for Australian businesses.

Experience suggests that Australian business expect that the Commonwealth will play an active role in promoting the Brand Australia and therefore Australia's capabilities and strengths to potential buyers, investors and business partners overseas, as a platform for more specific promotional efforts by individual businesses in overseas markets.

This is seen as an essential role of government to help project a positive image of Australia's business environment and capabilities and making Australia more visible in the global marketplace. Austrade's in-market experience is that promotion and awareness-raising of Australia's strengths as a business partner is an important element of its role and one that requires ongoing investment of resources.

At trade fairs and other promotional activities overseas, Austrade uses as a national brand (under licence from Tourism Australia), which is an adapted version of the Brand Australia branding and design. The business adaptation of this brand uses the same graphic with a tailored catchphrase. Adaptations of this brand have also been used by state governments in some instances. Although the images used overseas to attract tourism may be different from some of the preferred images to promote Australia as a place to do business, the level of investment to date in the Brand Australia materials and the ready overseas recognition of the kangaroo logo in comparison with other possible designs lend strong support to continuing with the existing approach. This will enable Australia to gain the benefit of a single national brand across all levels of government to build visibility and recognition in overseas markets.

Both the Commonwealth and state/territory governments are keen to promote their image internationally and to position themselves overseas to attract business and investment. Potential buyers and business partners overseas have a general awareness of Australia as a supplier but a typically lower level of awareness and knowledge of individual Australian states and territories. Successful Australian participation under the Brand Australia banner in international events such as Cosmoprof (cosmetics, Hong Kong), CommunicAsia (ICT, Singapore), BIO (biotechnology, USA), Food & Hotel Asia (food, Singapore) or Fine Foods Australia (run in Australia for an international audience) demonstrates the strength of a coordinated approach. This is consistent with the experience of other countries, such as New Zealand, that have been successful in using a national brand to promote themselves for trade and investment purposes.

Austrade's experience is that consistent and coordinated promotion of national capability and marketing of a national presence overseas is more likely to achieve a bigger impact. Expanded use of the Brand Australia logo, including through adaptations to promote specific sectors, may be one way of broadening Australia's impact internationally as a trade and investment destination. Such an expansion would leverage the economies of scale associated with the Brand Australia, as the official imagery, with the most substantial marketing budget to support it. Austrade will continue to work closely with Commonwealth and state government representatives on further development of this approach. Austrade will also work with other organisations such as Australia Made which promote clear national branding.

## Building awareness of trade and an international business culture

### *Increasing awareness of the value of trade and investment encourages businesses to internationalise*

An annual community awareness survey conducted by Newspoll confirms that the proportion of Australians who believe exports make a major contribution to the economy is high at 81 per cent. The number of Australian businesses that engage in export and international business however remains relatively low by international comparisons (*Knowing and Growing the Exporter Community*, 2002). Raising awareness of the importance of trade to the Australian economy and building an international business culture should increase the export and international business orientation of Australian businesses.

Austrade's experience in dealing with the community at large, and more particularly with Australian businesses, has shown that an awareness of the value of international trade and investment, including through the publication of success stories, plays an important role in encouraging businesses to expand their horizons and look offshore.

### *Telling the success stories of Australian companies is a key element....*

Austrade places considerable emphasis on promoting the achievements of Australian businesses in international markets to build awareness of the benefits of international trade in Australia and as a way of encouraging others to follow suit. Austrade's media strategy aims to tell the stories of Australian companies of all sizes and levels of experience, across sectors and markets. Companies benefit from using Australian Government resources. In addition, the strategy draws on the knowledge of Austrade's overseas staff, their observations of overseas markets and their identification of business opportunities for Australian companies, as well as promoting a broad range of relevant trade activities and events. Through placement of articles, interviews and provision of media material with a wide range of media outlets and organisations, Austrade aims to achieve a broad distribution of its materials and messages. In addition, many organisations use Austrade's website to gain an initial understanding of export so that they can start to consider and plan their export strategies.

Austrade also places a high priority on increasing awareness among Australian businesses of overseas business opportunities and the potential for growth and business development offered by export and international engagement. An active and ongoing program of seminars and workshops aims to provide information and opportunities to meet Austrade officers, as well as to learn about the business of international trade and investment. In addition, Austrade, working with the Australian Chamber of Commerce and Industry (ACCI) recognises the contribution made by Australian exporters through the Australian Export Awards program. This program comprises a series of eight state and territory export awards and a national program recognising excellence and innovation in exporting.

This is a core area of activity for Austrade, and it is also an area where additional support from other organisations would be welcome to generate public discussion and achieve broader impact.

The ability to operate effectively in overseas cultures is clearly a core capability for exporters, particularly as they grow and become increasingly integrated into specific international markets. One of the ways to encourage this at an individual level is to provide early opportunities for students to understand the mechanisms of international trade and investment and to

***..as is supporting  
the next  
generation of  
international  
entrepreneurs***

perceive related opportunities as relevant to their own career and direction.

A current initiative is Austrade's *Exporting for the Future* program which is a well-established community awareness program which aims to demonstrate how trade contributes to jobs and living standards as well as the importance of open trade and Australia's participation in the global trading community. This is a multi-faceted education program providing resources and professional development to secondary school and tertiary educators to enable them to more effectively teach international trade and globalisation topics in their curricula. Key components of the program include books, an internet site, case studies, web quests, newspaper supplements and posters, professional development workshops for secondary teachers and an annual Export Plan competition for tertiary students. The tertiary focus of this program is particularly important in building an entrepreneurial attitude among students, which incorporates a strong international perspective.

Past experience with a number of government programs has demonstrated the benefit of government engagement in development of stronger international cultural awareness and confidence among business people. For example, the *Asia Pacific Fellowship Scheme*, in place from 1991 until 1996, provided financial assistance to Australian businesses to place managers and graduate employees in targeted Asian markets to work and study for up to a year. It had the objective of building Australia's orientation towards Asia, a stronger 'export culture' and a pool of Australian business people with hands-on experience in Asian business practices, languages and cultures to support their organisations entering or expanding into Asia. An independent review found that this scheme had assisted participating companies to achieve or increase their exports, with participants reporting that the program had contributed to \$192.5 million of exports – an export to grant ratio of 25:1 – over the five years of its operation.

A second program, the *Asia Business Links* program, also focused on building stronger business links in the region by assisting Australian companies to host visits to Australia by key business partners.

Austrade's experience suggests that motivating the international business leaders of tomorrow is a key element in increasing the international orientation of Australian business and that there would be value in considering additional investment in similar programs.

## **Conclusion**

The purpose of this submission has been to provide a perspective from Austrade's experience in delivering programs and services in support of Australian businesses seeking to internationalise their activities.

The submission reflects Australian and international research as well as Austrade's experience working with Australian businesses. The submission has not sought to address all of the matters raised in the *Review of Export Policies and Programs Key Issues* paper. Rather, it has concentrated on a selection of issues related to international business development, trade development programs and services and maximising the effectiveness of trade development resources.

Austrade is available to provide further information to the Review on these or other matters.

## Appendix A – Austrade background information

### *Austrade – the historical context*

Austrade was established in 1986, following a major review by the then Government of the resources available to the trade portfolio. That review recognised that integration of all trade, industry and economic policies in support of the private and public sectors was necessary to achieve an environment which was conducive to the development of internationally competitive and export oriented Australian industries (Dawkins 2<sup>nd</sup> reading speech 11 Oct 1985). On the basis of the review, it was concluded that export marketing could be rationalised and consolidated into one body – “a one-stop shop”. The rationale behind Austrade’s establishment as a statutory authority was that it would have the flexibility and independence of management to respond quickly to changes in international market conditions.

Since its establishment, Austrade has undergone a number of restructures. In 1991, following a major review by McKinsey and Co, Austrade was reorganised to position resources offshore and in support of markets where government support was viewed as “really making a difference”. Six Regional Director positions were established overseas reporting directly to the then Managing Director. As a response to funding reductions from the 1996-97 Budget, Austrade was again restructured with major resource savings made in the Australian network.

In November 1996, the then Government announced a comprehensive Review of Business Programs, including the assistance that it provided to Australian firms to address the time, costs and risks associated with exporting. In June 1997, David Mortimer presented his Review of Business programs titled *Going for Growth – business programs for Investment, Innovation and Export*. The then Government’s response to that report titled *Investing for Growth* outlined a range of new measures designed to increase Australian exports and promote economic growth. A key outcome of the response was that Austrade was charged with responsibility for coordinating and advising on the development of export programs across Commonwealth agencies.

In 2001-02 in response to the then Government’s policy to double the number of Australian exporters over a five year time frame, Austrade reallocated priorities and resources to meet this goal. This involved directing a higher proportion of Austrade’s resources to assisting new exporters. Also in 2002, a new Invest Australia was established within the then Department of Industry Tourism and Resources (DITR) and Austrade ceased to have carriage of the Australian inward investment attraction function.

Following the recommendations of the 2003 *Australian Government a Review of the Corporate Governance of Statutory Authorities and Office Holders* on 1 July 2006 Austrade ceased to be governed by a Board under the *Commonwealth Authorities and Companies Act 1997* and become an agency under the *Financial Management and Accountability Act 1997* and the *Public Service Act 1999*, managed by a Chief Executive Officer (CEO). These changes came into effect by legislative amendment on 1 July 2006.

**Functions**

Trade promotion and international business development are the primary responsibilities of Austrade, under *The Australian Trade Commission Act (1985)* (hereinafter “the Act”) and the *Australian Trade Commission (Transitional Provisions and Consequential Amendments) Act 1985*, which are administered by the Trade Minister. The stated purpose of the Act is to facilitate and promote trade between Australia and foreign countries, and for related purposes.

The Act sets out certain functions of the CEO of the Australian Trade Commission and describes the purpose of the Commission is “to assist the CEO in the performance of his or her functions”. The Act stipulates that the functions of the CEO are:

- to facilitate and encourage trade between Australia and foreign countries (Australian export trade) through a series of functions including by representing the trading and commercial interests of Australia in foreign countries;
- assisting, directly or indirectly, Australian organisations in trade negotiations;
- promoting, or participating in or co-ordinating projects to promote, Australian export trade;
- obtaining, and making available to Australian organisations, information relating to current or future opportunities for Australian export trade, including opportunities for involvement in overseas development projects;
- supporting and facilitating investment in foreign countries, and facilitating investment in Australia, where that investment is likely to enhance opportunities for Australian export trade;
- carrying out, or assisting other persons to carry out overseas development projects, in circumstances where that course of action will benefit Australian organisations;
- administering the Export Markets Development Grants Act 1997;
- developing and administering schemes to provide assistance in the development of markets in foreign countries; and
- facilitating access by persons to Departments of State of the Commonwealth or of a state and to instrumentalities established by or under the law of the Commonwealth or of a state where that access is likely to enhance opportunities for Australian export trade.

**Current structure**

In Australia, the Exporter Services division operates the national network of offices and provides services to exporters in conjunction with overseas posts. The Export Market Development Grants scheme is also delivered in Australia, to support, within the rules established by the WTO, exporters in their international market development activities.

At 31 March June 2008, Austrade had 18 national offices as well as 50 TradeStart and Export Hub offices. TradeStart is a partnership between Austrade and state and territory governments, industry associations and regional development organisations.

At 31 March 2008, Austrade operated in 121 overseas locations in 61 countries. In many locations Austrade has an office presence, either as a stand-alone office or as part of an Australian embassy or high commission. In other locations, Austrade is represented by a mobile Austrade employee or an external trade consultant.

Austrade's overseas operations are structured around four regions – they are, the Americas; Europe, Middle East and Africa (EMEA); North East Asia (NEA); and South East Asia, South Asia and Pacific (SEASAP). The primary focus of the regions is to proactively identify opportunities and work with Australian businesses in overseas markets to assist them achieve export and international business outcomes. The regions also operates 17 consulates and three honorary consulates on behalf of the Australian Government (eg in Auckland, Dubai, San Francisco and Mumbai), representing 19 per cent of the Government's overseas network of consular offices. Austrade-managed consulates provide a range of consular assistance including passport services, notarial acts, medical evacuations, prison visits and general advice and assistance to Australians overseas.

Corporate support is provided by three Australian based groups: Government and Corporate Services; Human Resources; and Finance, Information and Planning.

### ***Staffing***

Austrade's workforce comprises a mix of Australia-based (A-based) staff working in Australia and overseas posts and Overseas Engaged Employees (OEE). At 30 June 2007, some 80 per cent of Austrade's 1037 staff were employed in Austrade's overseas regions and client-focussed operations in Australia. 525 overseas engaged staff are supported by 80 A-based employees working in an offshore location as either a Senior Trade Commissioner or Trade Commissioner. A detailed staffing overview is at Appendix B.

### ***Services and Programs***

Austrade's services and programs are directed at:

- assisting Australian businesses to participate and become sustainable in export and international business;
- supporting Australian businesses to broaden and deepen their commercial engagement in overseas markets and to participate in more complex trade arrangements including through integration in global supply chains, clusters or establishment of an overseas presence or investment offshore;
- providing value to Australian businesses by expanding delivery of Austrade's services through allies and partners across private and public sectors; and
- raising awareness of the benefit of export and overseas investment among Australian businesses and the community and promote Australia as an attractive destination to potential investors.

### ***Services***

Austrade's services, as outlined in its Client Service Handbook, are summarised under the following key areas:

- Preparing companies for export
  - information on how to export
  - export coaching

- Export Market Development Grants and information on export financing
- Market selection and making the right connections
  - selecting an export market and market research
  - developing a market entry strategy
  - buyer/partner identification and selection
- Bringing new markets and opportunities to clients
  - assistance in overseas markets
  - identifying new opportunities

### ***Programs***

Supporting the delivery of services to its clients, Austrade delivers a number of programs as follows:

#### *Export Market Development Grants scheme*

The Export Market Development Grants (EMDG) scheme encourages Australian small to medium enterprises (SMEs) to enter and develop sustainable export markets by reimbursing up to 50 per cent of eligible export promotion expenses above a threshold of \$15,000. Austrade is responsible for administering the Export Marketing Development Grants Act 1997 which was amended in June 2006 to continue the EMDG scheme until 2010-11. From 2009/10 the funding of the scheme will increase by \$50 million per annum. Full details regarding the operation of the EMDG scheme are contained in a separate submission.

#### *TradeStart*

TradeStart is a co-funded partnership between Austrade and industry associations, state and territory governments and regional development bodies. It provides resources, advice and expertise in 50 locations across metropolitan, regional and rural Australia to help more Australian businesses export successfully.

TradeStart is currently funded till 2009-10.

In 2005-06 eight Export Hubs were established including two that involved the creation of new TradeStart offices. Export Hubs assist regional Australian businesses to access government services and products by co-locating the services of TradeStart and AusIndustry.

#### *New Exporter Development Program*

The New Exporter Development Program (NEDP) is a package of export services designed to assist, coach and prepare Australian businesses for export. The NEDP is delivered through the national Austrade network and TradeStart and Export Hub offices.

#### *Corporate Partnerships*

Austrade's Corporate Partnerships Program extends the reach of Austrade's inbound and outbound international trade services through strong relationships with key advisors to Australian business from the banking, business advisory, legal and logistics sectors. Leveraging these relationships allows Austrade to tap into specialist expertise and support the work of Australia's financial and professional service firms who assist Australian

business undertake international trade and investment. Through joint servicing of Australian exporters and international investors, professional development programs and joint marketing and media activities, Austrade partners with the corporate sector to promote the benefits of export and international business and deliver direct, measurable benefits to Australian business. In 2007/08 Austrade's Corporate Partnerships Program has assisted over 1,000 Australian businesses to achieve international outcomes; provided internationalisation training to approximately 200 lawyers, bankers and business advisors; highlighted international trade opportunities to over 2,200 businesses through approximately fifty cooperative marketing programs; and, directly connected or referred in excess of 100 clients to the Austrade network.

#### *Australian Export Awards*

The Australian Export Awards comprise a series of eight state and territory export awards and a national program recognising excellence and innovation in exporting across 12 categories and an Australian Exporter of the Year award. The Awards are co-presented with the Australian Chamber of Commerce and Industry (ACCI).

#### *Business Club Australia*

Business Club Australia (BCA) utilises major international sporting events as a forum for raising export awareness and providing business opportunities for Australian companies. BCA programs have been held in conjunction with the Sydney 2000 Olympics, the 2003 Rugby World Cup, the Melbourne 2006 Commonwealth Games, the 2006 and 2007 Spring Racing Carnival in Melbourne, the 12th FINA World Swimming Championships in Melbourne and the 2007 Rugby World Cup in France. A major BCA program is planned for the 2008 Beijing Olympics.

#### *Seminars and events*

Austrade runs an extensive program of events to promote its services and raise awareness in the wider business community of the Government's export assistance programs and the benefits of exporting to all Australians.

An integral part of Austrade's marketing and communications campaigns remains promoting core Austrade programs including the Export Market Development Grants scheme, the New Exporter Development Program, the TradeStart network, Women in Export, the Australian Export Awards, Business Club Australia and the Exporting for the Future program.

In addition, each year Austrade delivers a number of marketing and communications campaigns centred on industry specific events such as the Rosemount Australia Fashion Week, the Sanctuary Cove International Boat Show and Wine Australia International, as well as major overseas events such as World Ag Expo in the United States and CeBIT in Germany. Market specific campaigns such as the Utsav (Celebrate) Australia program in India and the annual G'Day USA campaign Week are also staged to profile and market Australian export capabilities in overseas markets.

#### *Exporting for the Future*

The Exporting for the Future program provides 90 per cent of secondary schools with classroom teaching resources. This program has recently been expanded to the tertiary education sector.

### *Web-based services*

Austrade has two main corporate websites – [www.austrade.gov.au](http://www.austrade.gov.au) for Australian companies and [www.austrade.com](http://www.austrade.com) for international companies.

[www.austrade.gov.au](http://www.austrade.gov.au) provides in depth information on export markets and initial export research. The website is a fundamental resource for Australian businesses receiving over 2 million user visits in 2006-07.

[www.austrade.com](http://www.austrade.com) includes the Australian Suppliers' Directory that lists more than 10,000 Australian businesses that work with Austrade to export their services and products.

### **Key Performance Indicators**

For the 2006-07 year, Austrade's Key Performance Indicators (KPIs), as set out in the following table, measured the organisation's performance in achieving a number of key objectives supporting the achievement of growth in export value and increasing the number of Australian exporters.

Austrade's KPIs will be modified in 2008-09 to reflect its enhanced range of services. New KPIs will also be included to reflect the reintegration of the inward investment function.

Key objective	Key Performance Measures	2006–07 Result (2005–06 Result)
Assist exporters (both new and established) to achieve success	Total number of exporters achieving export success with Austrade's assistance	5417 (5098)
Grow established exporters and help exporters to become sustainable in export, so increasing export value	Number of established exporters achieving export success with Austrade's assistance	3421 (3321)
	Dollar value of export success achieved by new/irregular and established exporters with Austrade's assistance	\$ 22.4 bn (18.4 bn)
	Client satisfaction with Austrade's service*	89 per cent (88 per cent)
Assist more Australian businesses to become exporters	Number of new or irregular exporters achieving export success with Austrade's assistance	1996 (1777)
Support more Australian businesses to achieve export success by developing relationships and working with allies	Number of businesses achieving export success indirectly through Austrade	668 (601)
Raise awareness of the benefits of export among businesses and the community.	Community awareness of the importance of the Government's trade and international business facilitation activities through Austrade	65 per cent (67 per cent)

\*The client satisfaction rating is for established exporters receiving Austrade services. The satisfaction rating for clients on the New Exporter Development Program (NEDP) was also 89 per cent.

## **Appendix B - Relationships with other Commonwealth agencies**

### ***Trade development and policy***

Austrade and DFAT are situated within the same portfolio. Under the *Administrative Arrangements Orders of 25 January 2008*, trade-related matters dealt with by DFAT include treaties, including trade agreements, bilateral, regional and multilateral trade policy, international trade and commodity negotiations, market development including market access and trade promotion and international business development. Trade promotion and international business development are the primary responsibilities of Austrade.

In addition to the administrative and legislative framework governing the division of responsibilities between Austrade and DFAT, there are a series of “working-level agreements” including service level agreements as well as guidelines on cooperation between the two organisations.

### ***Information, Communications and Technology***

Austrade worked closely with the ICT team in the former Department of Communications, Information Technology and the Arts including on a number of joint initiatives including the Secrets of IT Competition and collaboration on the Committee Marketing ICT of Australia (CoMICTA). Responsibility for the ICT industry has now been transferred to DIISR. Austrade and DIISR will continue to work together on ICT issues.

Austrade also collaborates with relevant ICT industry associations and state governments, the Committee Marketing ICT of Australia (CoMITCA). The objective of CoMITCA, which has been in operation since 2000 is to identify common strategic objectives and initiatives among members, reduce duplication and increase the number of Australian exporters participating in key international trade missions and international trade events like CommunicAsia. CoMICTA links into the key ICT industry association (National ICT Industry Alliance), to ensure its priorities are aligned with industry strategy and expectations. CoMICTA also reports the industry's annual priorities to the Commonwealth and State Ministerial Online Communications Council for endorsement each year.

In addition, Austrade meets regularly with all state government ICT industry teams and ICT industry associations. In total, Austrade consults with up to 25 Federal and state / territory governments and industry associations on ICT industry export development and facilitation issues.

### ***Education services***

A number of Government departments and agencies have an active involvement in the provision of international education services. At the federal level, roles and responsibilities have been set out in a Multi-Agency Agreement which recognises that the Department of Education, Employment and Workplace Relations (DEEWR) has the lead role in international education policy development and, as chair of the Inter Departmental Committee (IDC) on International Education, coordination of promotional efforts. These responsibilities include promotion of Australian education and training through Australian Education International (AEI). The Multi-Agency Agreement also sets out roles for DFAT, the Department of Immigration and Citizenship (DIAC), DRET, Austrade, Tourism Australia and AusAID.

The main mechanisms for cooperation relating to the promotion of international education services includes a MOU between Austrade and AEI on support to education and training exporters and a separate contractual

relationship in relation to the delivery of promotional services in Europe. Austrade has also established a separate agreement with DEEWR. The Department, through AEI has a network of 15 Education Counsellors operating in Australian Embassies and High Commissions where Austrade also has a presence. The agreement sets out the specific roles and operating mechanisms to minimise overlap of roles in these locations.

***Food and beverage***

***Food***

Austrade works with the Department of Agriculture, Fisheries and Forestry (DAFF) to provide support for the Australian food industry. Since July 2007 there has been a clear delineation of responsibility between these two agencies in relation to market development and industry development.

Prior to July 2007, there was some duplication with the activities undertaken by National Food Industry Strategy (NFIS) Limited, the company funded and managed by DAFF, to deliver the previous Government's National Food Industry Strategy. Austrade worked co-operatively with all stakeholders involved in the NFIS and worked in partnership where appropriate with NFIS Ltd on relevant offshore demonstration projects. A co-operative approach was ultimately taken to manager issues of potential overlap and duplication during the five year period - in particular, parallel communications with overseas customers. The Market Development program run by NFIS Ltd ceased operation at the end of June 2007.

***Wine***

Austrade and the Australian Wine and Brandy Corporation (AWBC) provide complementary support to the Australian wine industry. The AWBC is responsible for the strategic marketing of Australian wine overseas including identifying priority markets and implementing generic strategies and activities to support and enhance the marketing environment for Australian wine in those markets. Austrade is responsible for coordinating and advising on the development of export plans and activities for specific Australian exporters by facilitating market entry strategies and providing advice, market intelligence and ongoing support, including financial assistance under the EMDG scheme.

AWBC and Austrade have operated under an MOU since 2005. This MOU outlines the collaborative arrangements in markets of joint interest (including in countries where both have an in-market presence) and clarifies the roles and responsibilities of both organisations. The MOU seeks to establish a framework to avoid duplication and enhance complementary activities in different markets, particularly where the markets are at different stages of development.

***Financial services***

Austrade is developing a strategy to enhance its services to the financial services industry. The implementation of this strategy will necessitate building additional linkages and coordination mechanisms with Treasury and DFAT. The respective roles of these agencies in support of the financial services industry are well defined with Treasury focussed on regulatory issues, policy, data, analysis and research; DFAT on bilateral and multilateral agreements - particularly FTAs; and Austrade on trade and investment facilitation and support delivered primarily through our overseas network.

***Tourism***

Tourism Australia (TA) is a statutory authority of the federal government with the prime role of promoting Australia as a tourism destination

internationally and domestically. A Memorandum of Understanding between TA and Austrade has been in place since November 2002 and was updated in August 2007. The MOU sets out the respective roles of TA and Austrade in relation to promoting Australia's tourism capability overseas, as both a quality tourism destination and a provider of tourism goods, services and expertise. Austrade also has a separate licensing agreement with TA to use its 'Brand Australia' at international industry events.

TA has categorised its overseas markets into 4 tiers. Under the MOU, TA has the lead role for tourism promotion in markets which have been assessed as Tiers 1-3. In these markets, Austrade does not conduct tourism-specific trade and promotional events except if it is a joint activity with TA. Austrade can, however, offer tailored services to individual businesses requesting in-market assistance beyond what TA can provide. In developing markets (Tier 4) where TA does not have representation, Austrade offers its full range of trade facilitation, market intelligence and scoping services to inbound tourism businesses and can also conduct or support tourism trade events and promotional activities in line with strategic priorities.

***Creative  
Industries***

*Film*

Ausfilm is a partnership between government and the screen industry and comprises representatives from the federal government, all state and territory film agencies and some 40 private sector screen companies. Ausfilm is responsible for marketing Australia's offset scheme and production and post/digital-production capabilities internationally to stimulate and attract overseas content to produce and/or post-produce in Australia. Ausfilm receives separate funding via the Department of Environment, Water, Heritage and the Arts.

Austrade provides Ausfilm with office space and other facilities in Los Angeles (under a cost recovery arrangement), attends Ausfilm Board meetings in an ex officio role and provides support for Ausfilm's activities in other parts of the world via the Austrade network.

*Music*

The current Government announced its intention in the lead up to the November election to develop a Strategic Contemporary Music Plan. A key objective of the Plan is to develop the exports of contemporary music. The Department of Environment, Water, Heritage and the Arts is managing this initiative and Austrade has been invited to nominate a representative to the Working Group which will develop the Plan.

***Infrastructure  
and major  
projects***

Austrade works in partnership with a number of government and industry organisations in pursuit of major opportunities in rail, mining and infrastructure. They include:

- the Australian Railway Industry Corporation (ARIC) - Austrade in association with ARIC promotes Australian rail suppliers in a range of different industry segments;
- Austmine - Austrade in association with Austmine has developed a global network to identify opportunities and promote Australian business capability and assists with promotional activities into supply chains into high potential markets;
- the Industry Capability Network (ICN) - Austrade works with the ICN on global Supply Access to Major Projects (SAMP) projects

including alliances with the NSW ICN for New Orleans Reconstruction and with the Victorian ICN for 2010 New Delhi Games.

***Biotechnology*** Austrade is a member of the Committee for Marketing Australian Biotechnology (CMAB) which assists the Australian biotechnology industry to collectively market its capability internationally. Its members include AusBiotech (the Australian biotechnology industry’s peak body), state and territory governments and three federal government agencies (DIISR, Biotechnology Australia and Austrade).

***Defence*** Austrade has worked with the Department of Defence (DOD) over a long period. Until 2001, DOD contracted Austrade to provide dedicated staff assisting defence exporters in three offshore locations. Since then, Austrade has continued to assist individual exporters and supported a number events and missions including the Defence Materiel Organisation’s (DMO) ‘Team Australia’ international exhibitions. In 2007, the DMO established a Defence Export Unit to assist defence exporters and established representatives in Washington and London. Austrade is currently developing an MOU with the DMO to further coordinate the two agencies activities in relation to supporting defence exports.

***Auto and advanced manufacturing*** Austrade works with DIISR on a number of levels related to the automotive, aerospace and advanced manufacturing industries. In particular, Austrade and DIISR are working together with other agencies on the Team Australia Automotive project in Detroit, USA.