Austrade and the New Australian Trade Imperative

A speech to the 4th World Conference of 4th World Conference of Trade Promotion Organizations

By

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Thank you for your kind welcome and for inviting me to take part in this session today.

I'm very pleased to be here this week, particularly because it gives me a chance to learn about - and engage with - the world Trade promotion Organization (TPO) community so early in my appointment with the Australian Trade Commission or, as we call it, "Austrade".

Austrade has always placed great store on its ties with fellow Trade Promotion Organizations (TPOs).

And it has greatly benefited from the stimulating discussion and practical outcomes that have been generated by these world Trade Promotion Organization (TPO) conferences.

This year's event is special for two reasons.

First, the conference coincides with the 50th birthday of the host agency - the China Council for the Promotion of International Trade (CCPIT).

On behalf of the Australian Government, I'd like to commend the Council for successfully co-staging this broad-ranging and timely event.

And I'd like to congratulate the China Council for the Promotion of International Trade for its half-century of trade facilitation work in support of industry and economic development in the People's Republic.

For me, the second key thing about this gathering is that it comes at a time of sound and improving trade
relations between Australia and China. As Premier Zhu
Rongji noted in the previous session, both the Chinese
and regional economies will continue to benefit from
strong economic growth.

China is Australia's third largest trading partner, and
we believe bilateral economic ties can only strengthen
- especially as a result of China's accession to the
World Trade Organization (WTO) and Australia's
increasingly outward-looking approach to business.

Following Sydney's hosting of the 2000 Olympics,
Australia is already supplying goods, services and
expertise for the 2008 Beijing Games - and we look
forward to becoming even more closely involved over
coming years

Australia's ongoing commitment to the bilateral
relationship will be underlined this month by three
other initiatives:

● the participation of Australian companies in the
  Beijing International High-Tech Industries Week

● the holding of Austrade's monthly Board meeting in
  Beijing - the first ever outside Australia

● and the imminent visit by Australia's Prime
  Minister, the Honorable John Howard.

Ladies and gentlemen,

In my time this afternoon, I'd like to tell you about a
significant new development in Australian trade policy
- an ambitious plan to double the number of Australian
exporters within five years.

The plan represents a major and unprecedented challenge
for our country.

But the Australian Government believes the expansion of
our expert sector - in both size and sophistication -
is vital if Australia is to remain prosperous, and
competitive in the global marketplace.

Austrade - which helps Australian firms reduce the
time, cost and risk involved in doing business overseas
- has been given the task of leading this concerted
national effort.
As a result, we've drawn up a set of new corporate strategic directions - directions that will entail the introduction of new tools, services and systems, as well as a realignment of existing programs.

So my aim today is to share with you Austrade's innovations and thinking - in the hope this will stimulate ideas and discussion about the challenges and prevailing trends facing all Trade Promotion Organizations (TPOs) in the next few years.

By way of overview, I should say that Australia's current economic and trade performance is excellent.

We are, indeed, operating in a "turbulent new business environment" - as the theme of this conference correctly acknowledges.

But, generally, Australia is faring rather well under the circumstances.

The domestic economy is in very good shape - benefiting from:

- above-average growth of 4.1 per cent in 2001
- interest rates at 4.5 per cent
- inflation at 3 per cent
- and comparatively low unemployment at 6.7 per cent.

Continuing and significant structural reform over recent years has lifted a number of burdens on the domestic economy.

For Example, Australia has revamped national taxation, for example - reforms that have given us a more modern, efficient and internationally competitive tax system.

For Australian exporters, this new system provides real incentive - cutting the cost of producing goods and services for export by a total of more than $3.5 billion a year.

Changes to taxation have been complemented by reform of the labor market, the retirement of national debt, and the creation of more and better jobs.
These features of the economy are both a reflection of-and a further stimulus to-Australia's recent record-breaking export achievements.

In a major address in Canberra last month, the Australian Minister for Trade, the Honorable Mark Vaile, said Australia had exported more than $154 billion worth of goods and services in 2001.

That result was an 8 per cent increase on the previous year, and a massive 54 percent rise on the 1996 figure.

This export performance allowed us to achieve a trade surplus of $2.7 billion in 2001 — with our nine consecutive monthly surpluses representing the longest run of surpluses since 1973.

Exports to Australia's major trading partners continued to climb last year.

Sales to China were up 26 per cent in 2001, and exports to Europe and the United States rose 18 and 8 per cent respectively.

In terms of regions, East Asia remains Australia's largest export destination — and, so, of critical importance to our future.

Overall, South East and North East Asia accounted for around 54 percent of our exports last year.

We know that, anecdotally, Australian exporters are making rapid progress.

Some of the individual export success stories are terrific — and surprising.

For example, Australia sells:

- pasta to Italy
- sand and camels to the Middle East
- and — believe it or not — sake to Japan!

I should point out that Austrade and the Australian Government's scope of concern is wider than just exports.
We want to foster a private sector that, above all, is fundamentally part of the international business scene – which crucially involves not only exports but also inward and outward investment.

Among Australian firms, investment is an increasingly popular method of entering foreign markets.

In response to this, the Australian Government is implementing a number of measures to improve our performance in this area, and Austrade – like many other TPOs – will be doing more work on investment over the coming few years.

Incidentally, while on the subject of investment, I want to commend China’s Performance in this area.

China has strongly improved its standing as an investment destination in recent times.

As a result, Austrade and its fellow government agency, Invest Australia, is strongly encouraging Australian business to – at the very least – have a close look at the opportunities opening up in the People's Republic.

Ladies and gentlemen,

On the surface, things are going well for the Australian export community and we have reason to feel pleased and confident.

However, research by Austrade over the past few years has uncovered some, frankly, worrying statistics – findings that call into question our ability to sustain long-term export momentum unless we address some important underlying issues.

The first thing we found is that the level of community awareness and understanding in Australia about the benefits of trade is poor – and falling.

For instance:

- just 73 per cent of people believe exports make a major economic contribution to Australia
- only 34 per cent believe exports make a major contribution to their personal
standard of living

around two-thirds of the population underestimates the number of jobs generated by exporters

and fewer than 15 per cent of people feel well informed about trade issues.

These figures are of concern.

How can we encourage people to start up export-based companies - or pursue export-focused study and careers - if we're dealing with such grassroots attitudes?

This situation has been exacerbated in recent times by increasing anti-globalization sentiment - something, I'm sure, other Trade Promotion Organizations (TPOs) are seeing in their own countries to some degree or another.

Indeed, I suspect all of us here - especially those from developed economies - are battling daily with varying levels of ignorance and apathy about the true benefits of trade and investment.

If your experience is anything like ours, you'll be contending with the simplistic and misguided view that:

- countries are net losers from engagement in the global economy

- and that we should - and somehow can - retreat to our own little protectionist castles and pull up the drawbridge to the outside world.

The Australian Government is keen to foster and engage in balanced public discussion about globalization and trade policy - indeed, it considers this necessary and healthy.

But it also believes we need to conduct debate on a firm foundation of facts - not perceptions.

On the basis of this principle, Austrade and its parent agency - the Department of Foreign Affairs and Trade - last year started a comprehensive public awareness program designed to address our apparent national "blind spot" towards the value of trade.
Launched by Minister Vaile, the Exporting for the Future campaign is putting before Australian people the facts about how exports and investment affect their day-to-day standard of living.

The key points are simple and compelling:

- that exports account for around 20 per cent of Australia's Gross Domestic Product (GDP)
- that one in every five Australian jobs depends on exports
- that one in every four jobs in rural and regional Australia is derived from exports
- that exporters generally pay their staff more and provide better training than non-exporters
- that 96 cents in every dollar of output from foreign direct investment stays in Australia
- and that exposure to global competition spurs innovation, productivity, adaptability and many other important national traits.

The Exporting for the Future program has a number of elements.

These include:

- teaching materials for secondary-school students studying subjects such as economics, commerce, business and geography
- brochures summarizing the benefits of trade
- and radio advertisements and selected television programming publicizing trade-related events and local export success stories.

Perhaps the most immediately successful facet of the program has been the series of presentations and displays at a variety of public events - events targeted to the non-exporter community.

Tapping the first-hand experience of Austrade and Foreign Affairs staff, this visit and presentation
program has involved:

- chambers of commerce, business councils and industry associations
- schools and universities
- and agricultural shows and “filed days”.

In all, Austrade has taken part in more than 200 of these community events since last year - with Austrade and Foreign Affairs staff conveying the export message to a total of around 15,000 people.

Austrade has also helped produce reports that detail Australia's numerous individual export success stories, along with a brochure that deliberately sets out to explode the many negative myths and misconceptions surrounding trade and investment.

The second major piece of research conducted by Austrade in recent times concerns the current size and potential of the Australian export sector.

This is a topic that brings me back to the core of my speech today - the plan to double the number of exporters.

We strongly agree with the view expressed by the Executive Director, Monsieur Belisle, who said in his welcoming message that successful trade promotion organization will be those that view trade promotion in terms of export capacity development and not simply market development.

As I mentioned earlier, Australia's recent export performance has been outstanding.

But the sobering news is that our collective success has been achieved by a very small group of companies.

Austrade research shows that only 25,000 Australian businesses export - that's just 4 per cent of the total number of firms in our country.

This proportion is low when contrasted with comparable economies - slightly ahead of the United States, but well below Canada, Spain and Norway, for example.
Clearly, in Australia's case, rather modest numbers of high-achieving exporters are doing a lot of heavy lifting for the rest of our national economy.

The obvious conclusions to be drawn are that the potential of our export sector is enormous, and that Australia stands to reap considerable gain if we can:

- turn more companies into exporters
- turn "occasional" exporters into regular exporters
- and support the growth of "born globals" - those companies that need to work internationally to survive.

Stagnation or only modest growth in the number of exporters will lead to:

- lost opportunities to further internationalise the Australian economy
- and a great deal of foregone wealth, jobs and opportunity.

In response to this export imperative, the Australian Government has set down a bold target - to boost the number of exporters from 25,000 to 50,000 by 2006.

It has been calculated that such an increase would generate around $8 billion a year in extra trade revenue for Australia.

Although Austrade has been asked to lead this effort, the Government has acknowledged it must be a "whole-of-government" approach - a crucial point given Australia is a federation of States and Territories.

The doubling target was formalised last month when the Australian Commonwealth reached an historic agreement with State and Territory governments.

That agreement covers five specific areas of enhanced cooperation:

- greater community understanding of the benefits of trade
- increased growth in the number of small to medium
exporters - or, as we abbreviate the term, SMEs

- a focus on high-potential export growth sectors, such as knowledge-based industries
- equitable access to export facilitation services in regional Australia
- and better links with private sector providers of export services.

Ladies and gentlemen,

Against the backdrop of the new doubling challenge I’ve outlined today, Austrade is continuing to do a great deal of internal work to develop our people and our levels of service.

After all, how can our people provide the higher levels of advice and assistance needed in this environment if they're not given the appropriate training and equipment?

The main vehicle for our people development initiatives is the recently established Austrade Institute - a "virtual" university and Australia’s first "corporate university" operating in the government sector.

One of the key lessons we've learned over the past few years is that no matter how good our tools, trade facilitation requires judgment and well-trained Austraders.

The Austrade Institute has several roles.

Essentially, it's designed to enrich our people, benefit our operations and make us more attractive as an employer.

But it also has another important function - and that's to contribute to Australia's stock of internationally experienced business people.

The Austrade Institute provides education and training pathways for every phase of an Austrader's career - from induction through to highly specialised trade facilitation skills.

Our ultimate aim for the Austrade Institute is to help
our staff provide clients not with mere trade and investment information, but genuine knowledge—a synthesis of data, insights, judgment and any other quality we alone can bring to the table.

Ladies and gentlemen,

This afternoon, I've outlined one of the most comprehensive and ambitious export promotion strategies ever drawn up in Australia — a freshly minted plan that is in the very stages of implementation.

This new Australian approach is based on a realistic, objective assessment of our export achievements and untapped potential.

Perhaps most important, it's also based on a clear recognition that we, as a nation, must do everything we can to regenerate and increase the overall size of Australia’s export community and to lift that sector to a higher level of sophistication.

The target for doubling the number of Australian exporters has profound implications for Austrade's day-to-day operations.

I’ve today detailed just some of the innovations and adjustments this will bring about in terms of our trade tools and services. We face our challenges and the future with pride in what has been achieved and optimism about the opportunities ahead.

I now look forward to your questions and comments about the Australian export imperative — along with the contributions of my fellow speakers in this session.

Thank you very much.