

## **The Asian Boom and Australia's proximity**

### **AUSTRALIA'S AND SOUTH AUSTRALIA'S OPPORTUNITY AS THE NEXT ECONOMIC HUB IN THE ASIA PACIFIC ARENA**

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### **Abstract:**

The Asia-Pacific area is likely to become the new cradle of economy, culture and exchange of knowledge. Considering the opportunity of the shift of the economic hub in this region, Australia is demonstrating strategic capacity in becoming the meeting point between the West and the new Asian economies.

This paper discusses some of the main factors contributing in this process: the geographical proximity of Australia with the new Asian economies; multiculturalism; international cooperation which includes trade agreements, research and foreign students enrolled in South Australia.

The development of international networks provides a stable and long term economic and political environment. South Australia has the capacity to represent a bridge between the West and the new Asian economies, who are increasing their dominance in the global scene. This alone defines South Australia's attractiveness as a lure for new investments and as a key factor towards its international development strategy.

# AUSTRALIA'S AND SOUTH AUSTRALIA'S OPPORTUNITY AS THE NEXT ECONOMIC HUB IN THE ASIA PACIFIC ARENA

## Introduction

Australia is now facing a great opportunity in becoming the future hub of the dynamic global economy. Its geographical location, from being considered a huge disadvantage in the past because of its remoteness, is gaining a more positive position, especially due to the extraordinary growth being experienced by the Asian region.



The image above is useful to understand an important difference between Australia and Europe which underpins social and economic issues. On the one hand, Australia has a unique historic background that makes it different from any other developed nation. It has been settled by immigrants and it now has the greatest proportion of permanent immigrants of all contemporary western societies, with about 25% of the population born overseas (Australian Bureau of Statistics 2012).

As an example of the immigration strategy, during the financial year 2010/2011 Australia had almost 130,000 permanent arrivals with 30% of them represented by skilled people (Australian Bureau of Statistics 2011). In addition to this, Australia has a reputation as being known as one of the main destinations for overseas students enrolled in foreign institutions: in fact, more than half a million young people from all over the world choose Australia for their education, 50% of which are represented by Higher Education students (Australian Education International 2011). This is not a mere Australian opportunity. As a multicultural viewpoint, other countries can benefit from it, especially Europe and Asia, which are the main provenances of the students involved in the phenomenon.

What makes the case of Australia unique is that differences meet on an individual level, maintaining their own features, but they mix in creating the Australian culture.

Australia is therefore a plural society in which there is reciprocal respect for differences and common sense of belonging co-exist.

Being able to act on a global scale as a whole now represents a great advantage for Australia, especially in a geopolitical area as the Asia-Pacific which currently is a source of opportunities. It also means that Australia can count on political and economic stability, which is a key factor in investment decisions.

At the same time, the multicultural background of Australian citizens represents a worthy factor to be capitalised on in order to build a natural network with countries of origin. It is not only based on trade or governmental agreements, but its strength is also drawn from personal, reliable and direct linkages among people.

On the other hand, Europe is not characterised by a unitary citizenship and differences meet on a national level. It therefore can not reason, a proper form of multiculturalism. Despite this, Europe sees and benefits from the opportunity of Australian multicultural reality in helping to tie connections with the Asia Pacific Region, which over the last decade has experienced surprising growth rates. The doubling of the European GDP becomes weak when compared to the Chinese GDP which increased six-fold over the same period, while Australia, ASEAN and India experienced a three-fold increase.

Australia may be the answer to Europe's quest for the opportunity to regain its economic vigour on the world scene. The European heart of knowledge, know-how and capital may fruitfully be invested in and shared with Australia, combining the benefits of a multicultural society with European backgrounds and those related to the close connection that Australia already boasts with Asia.

### **1. Australia and South Australia proximity with the Asian Pacific area: a strategic position**

Over the last decade globalisation has been shaping the world dynamics. When considering globalisation, it is usually seen as a mere economic phenomenon, while other aspects, such as cultural, scientific and technologic issues, must be taken into account.

The West, which we used to consider as the hub of knowledge, economy and culture, is likely to be overcome by the new rising reality that the East represents. Not only from the point of view of the growing population but also because of the economic liveliness that this area is experiencing. The International Monetary Fund (IMF)

recorded (International Monetary Fund 2012) that real GDP in developing Asia have increased in average by 7.8% in 2011 (China has recorded the greatest growth with 9.2%). Even if the growth slowed down from 9.7% of 2010 and it is likely to moderate in 2012, probably slowing to 7.3%, mainly due to weakening external demand, it remains the strongest of the world. This would move the economic and cultural hub of the Atlantic Ocean, as it was considered in the last few years, toward the Pacific Ocean, which is likely to be recognised as “the sea of the future”: the third millennium centre of the new economic, cultural, scientific and technological knowledge.

The table below shows a comparison between the growth of different countries over the first decade of the century.

<b>COUNTRY</b>	<b>2000 GDP (billion US dollars, current prices)</b>	<b>2011 GDP (billion US dollars, current prices)</b>	<b>Increase over the decade</b>
China	1,200	7,298	<b>508%</b>
Australia	400	1,488	<b>272%</b>
ASEAN <sup>1</sup>	608	2,154	<b>254%<sup>2</sup></b>
India	476	1,676	<b>252%</b>
New Zealand	53	162	206%
South Korea	533	1,423	167%
EU	8,504	17,578	107% <sup>3</sup>
USA	9,951	15,094	52%
Japan	4,731	5,870	24%

Source: International Monetary Fund, World Economic Outlook, April 2012

The IMF estimates on future growth rates, show that China and ASEAN countries are likely to double their GDP in the next four years, even though at this global stage of the economy, with such a challenging and unstable political and economic environment, predictions may not be so significant.

<sup>1</sup> ASEAN stands for Association of South-East Asian Nations. Member countries of ASEAN are: Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam.

<sup>2</sup> Growth rates among ASEAN countries are very different and they will be analysed further in the article.

<sup>3</sup> When considering the percent increase about European GDP, attention must be paid because it depends not only on the real economic growth, but also on the progressive inclusion in the Union of other countries that were not part of it in 2000, in particular the emerging and developing economies of Eastern Europe.

Analysing the table below, it must be said that, despite the great performance of ASEAN countries, there are significant differences within this group. Each country shows impressive growth rates, but the amount of national GDP expressed in absolute value highlights the great differences among the associated countries, as reported in the table below.

<b>ASEAN COUNTRY</b>	<b>2000 GDP (billion US dollars, current prices)</b>	<b>2011 GDP (billion US dollars, current prices)</b>	<b>Increase over the decade</b>
<b>Indonesia</b>	165.02	<b>845.68</b>	412%
<b>Thailand</b>	122.73	<b>345.65</b>	182%
<b>Malaysia</b>	93.79	<b>278.68</b>	197%
<b>Singapore</b>	94.31	<b>259.85</b>	176%
<b>Philippines</b>	81.02	<b>213.13</b>	163%
<b>Vietnam</b>	31.18	<b>122.72</b>	294%
<b>Myanmar</b>	8.91	<b>51.93</b>	483%
<b>Brunei D.</b>	6.00	<b>15.53</b>	159%
<b>Cambodia</b>	3.65	<b>12.86</b>	252%
<b>Laos</b>	1.64	<b>7.89</b>	381%

Source: International Monetary Fund, World Economic Outlook, April 2012

Besides leading regional growth, China's performance has been the best world wide. Its robust domestic demand is supporting growth in the whole region, particularly through imports of manufactured goods as well as commodities. China is also importing more consumer goods, which presents a new opportunity for the region's exporters.

Few other countries have taken advantage of the remarkable growth of the Chinese economy over the last twenty years as Australia has. China is Australia's top two-way trading partner and top import source: Australia has become the main supplier of raw materials and minerals, such as iron and coal, of which China passed from being exporter to being one of the main importers on the world scene. There is no doubt that this partnership has positively affected the economic growth of Australia, which is one of the few developed countries that have not experienced the recession in its deeper features, maintaining unemployment under 6%.

The research company *IBIS World* called this opportunity of protection from the crisis for Australia "the great wall", to highlight the role played by the Chinese involvement.

South Australia and Australia have a strategically geographic position that offers them full advantage of the extraordinary economic development of the Asia-Pacific Countries (ASEAN and Oceania, China, Japan, South Korea and India). This region, with a total GDP of almost 20,000 billion US dollars and a population of about 3.3 billion, is now the most important geopolitical area of the world in terms of economic and social development, as well as a breeding ground of new ideas and extraordinary opportunities.

It is worthy to note the fact that Australia was the first dialogue partner of ASEAN in 1974: certainly a key factor was the geographic proximity of this area, which now represents a significant asset.



This becomes more evident when considering sea freight services between Australia and most Asian ports, which are regular and direct. Sailings take less than a half time compared to the average time between Asia and Europe: air freight services from Australia to Asia are typically twice as fast as from USA to Asia. These facts lead to highly competitive export rates and represent a unique opportunity for European and American multinational companies who want to reach the Asian market whilst settling down in a western society as Australia.

The same considerations go the other way around: for example India's biggest global outsourcing companies have established offices in Australia mainly to service European and American clients.

The geographic position of Australia has other implications that usually are underrated or seen as disadvantages.

For instance, while being extremely linked to the western society and economy, Australia can take advantage of its remoteness, avoiding the instability experienced by the West during the last couple of years.

Another example may be the counter-seasonality to the northern hemisphere, especially when we refer to food production and agro-business. South Australia, for example, enjoys a climate much more regular over the year than southern Europe, which is the main producer of food goods in the EU region.

More over, the time zone of Australia presents advantages in the Asia Pacific, as the Australian Trade Commission refers on their web page. This time zone is particularly significant for financial markets, customer services and many other critical activities. Companies can benefit from the so called “follow-the-sun” or “pass-the-book” operations, which become an important tool to compete in such a global dynamic and even hectic economic environment.

The economic and fiscal robustness of Australia, combined with the increasing integration with the emerging Asian economies and the strengthening of the Australian dollar compared with other currencies, make Australia one of the most advanced countries in the world: the IMF, at the end of 2011, placed Australia 13<sup>th</sup> in the nominal GDP rating and 5<sup>th</sup> in the GDP pro capita rating; Fitch, Standard and Poor’s and Moody’s upgraded Australia to the AAA category due to the low debt level, political and monetary flexibility and this was despite the downturn in growth in 2011.

### **Free Trade Agreements<sup>4</sup>**

Trade opportunities due to the strategic position of Australia emerge in their evidence when considering Free Trade Agreements (FTA) that has been established between Australia and many countries, among which most of them have become partners because of their proximity.

Besides considering that not all the effects that FTAs have on economic and social issues are positive, especially for those involved in countries which suffer of fragile social fabric due to internal poverty, FTAs still represent one of the most important tools in promoting internationalisation, and consist in creating areas where goods and services can circulate without (or with low) import/export tariffs. They are one of the

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<sup>4</sup> Contents of this paragraph are based on the work of Longinotti (2010).

key factors that allow internal enterprises to expand their market abroad, in particular for those small and medium businesses whose size does not enable them to afford high export tariffs. Furthermore, they represent the economic prerequisite to long term cooperation and peaceful political relationships.

The Asia Pacific area is endeavouring to reach a stable economic position in the international environment through FTAs in order to be able to compete on a worldwide scale with the economic leading regions of the West. Some of the main facts happening in this area will be highlighted from this point on, with particular attention on Australia.



One of the main FTA that Australia subscribed to (and the first multi-country Australian FTA) was named AANZFTA (ASEAN – Australia – New Zealand Free Trade Agreement) and took effect on 1 January 2010. Covering all sectors including goods, services, investment and intellectual property simultaneously, this makes it the most comprehensive trade agreement that ASEAN has

ever negotiated. The map below helps us to understand how the geographic proximity has played a significant role in the establishment of this agreement.

Apart from this, Australia has another five FTAs currently in force with New Zealand, Singapore, Thailand, US and Chile (the last two representing the exception in regards to geographic proximity). The countries covered by these FTAs account for 28% of Australia's total trade. Nine more FTAs are under negotiation, including with China, Japan, India and the Republic of Korea. The countries covered by these negotiations account for a further 44% of Australia's trade.

The image below shows the signed FTAs and those under negotiation in the South Pacific Area, regarding Australia and New Zealand, ASEAN, India, South Korea, China and Japan. It is useful in highlighting the great effort that ASEAN countries are placing in developing their economies through the creation of trade networks.

On the other hand, it becomes clear that, in the perspective of the central role that the Pacific Area will gain and maintain over the next period, every country is striving to set up the closest of relationships, in order to take advantage of a joint growth.



-  Signed and Effective FTAs
-  FTAs under negotiation or consideration

The image above refers to the series of criss-crossing agreements shown by the arrows and is useful to understand why the expression “the Asian noodle bowl” is used in the economic environment.

It would suggest the ASEAN region to be the next economic hub for global trade, because of the FTAs that are already effective, the rapid growth as described in the previous paragraphs and the flexibility that the condition of developing countries assigns to this area.

ASEAN has to face internal problems that, at the moment, could inhibit it effectively taking off and to become the real new hub for global economy. Instability, diversity within the trade area, as well as social imbalance are issues that affect the capacity of the group to act in a unidirectional way in an international context and that, therefore undermines its reliability. Each member country insists, in fact, on its own independent law policies, legal system, sovereignty. Cultural differences are not being given the right weight and it results in misunderstandings and non willingness to accept compromises or to set uniform policies.

With these concerns, Australia emerges one more time as a reliable, stable and well connected country of the area with the rest of the world, especially with Western

economies with which it shares historical and economic background, as well as culture. On the other hand Asian countries don't see Australia as the Western, far away and different reality such as Europe or USA, because of its geographical proximity and the consolidated ties due to immigration, students' presence and trade as well.

## **2. Multiculturalism as a new global opportunity**

Multiculturalism can be considered as a way of dealing with immigrants and with their integration into host countries and societies; a strategic policy to manage the inter-ethnic relationships. Its aim is the creation of a common sense of belonging to the multiethnic society without restricting cultural differences. Nevertheless, generating a real multicultural and plural society means much more than simply making cultural differences emerge: these differences have to coexist within society, without leading to unintended consequences, such as endangering social cohesion and causing social fragmentation<sup>5</sup> (Sartori 2000).

In Europe, where the globalization processes and the opening of the EU to include other countries led to the settlement of many different cultures (in terms of languages, customs, values and beliefs), European Governments are currently struggling with these issues and in many cases with unsuccessful results<sup>6</sup>. Conversely, Australia, as well as Canada and the US, mainly due to historical reasons<sup>7</sup>, are considered the pioneers of a multicultural policy. In particular, Australia's good management of diversity can be taken as a model of cultural global diversity, since it has brought to social, economic, artistic and political progress and it has made the workplace very productive.

This paper will now discuss multiculturalism as a particular Australian feature in order to understand how it evolved and what it now represents.

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<sup>5</sup> To delve into this issue, see Kvasnová, 2008.

<sup>6</sup> The German Chancellor Angela Merkel has talked of '*failure of multiculturalism*' (2010).

<sup>7</sup> Oppositely to Australia, Canada and the US, none of the European nations has been constituted by immigration, and citizenship has traditionally been seen as a synonym of nationhood.

There is no doubt that dealing with different cultural backgrounds is an element of risk especially in terms of integration, but there are huge opportunities in embracing multiculturalism.

Multiculturalism entails the presence and coexistence of different cultural backgrounds, which can add value to organisations, both in private and public sector, as well as to society as a whole, in bridging the gap with customers, suppliers or simply interlocutors that are increasingly globally dispersed. For example, with regards to job security, the ability to move between job functions across different cultures is growing its importance among soft skills that are recognised within organisations.

If people are used to dealing with multiculturalism because of their diverse society, they will be able to better navigate the global landscape. At the same time, a multicultural country is better oriented to manage heterogeneity within its own society and is more likely to benefit from it rather than other countries that have only recently been facing this challenge and, for this reason, have to reorganise the entire social, political and economic framework. The ability to welcome and well manage not only immigrants, but also foreign investments and establishments, as well as the adoption of a proactive international economic policy, makes countries acquire global competitiveness.

Therefore, multiculturalism is not only a state of the world in which we have to play, neither a mere objective of policies. With regards to Australia, it has to be intended as a veritable part of its assets. In a survey conducted in 2006 on “*Reasons for considering move to South Australia*”, more than 21% of respondents pointed out the importance of “cultural diversity” as a key factor (State Specific and Regional Migration 2006).

In particular, multiculturalism can be considered as an asset in favouring international relationships, thanks to the natural and long-term networks that immigrants have with their countries of origin. These linkages also imply a reciprocal trust and the reduction of information asymmetry across borders, which usually represent the main issue and uncertainty factor about internationalisation. Having this unique advantage, immigrants are likely to set born-global connections in their host country, speeding up the internationalisation process of older or traditional businesses. The opening of these commercial and communication channels represent an advantage that other

parties can take, facilitating a bottom up internationalisation process. Hence, networks become the key through which psychic distances can be reduced.

## 2.1 Immigration to Australia

Australian society has been built upon immigration and its history is much younger and recent than Europe.

The characteristics of Australia's permanent immigrants have changed over time. Conversely to the Second World War immigration flows, nowadays most of the people moving to Australia are highly educated and qualified, with good English language skills. This makes the integration process easier together with the fact that immigrants coming to Australia have always been represented by young people, in particular people from 15 to 35 years old. Most of them are students, and an increasing proportion of them stay in Australia after their studies. As it will be discussed in the next paragraphs, they are important for many aspects, from export incomes, human capital, knowledge transfer and brain circulation, etc., representing a win-win factor both for Australia and the country of origin.

<b>Main Countries of Birth (data in thousands)</b>				
	<b>1954</b>	<b>1971</b>	<b>2001</b>	<b>2008</b>
<b>United Kingdom</b>	664.2	1081.3	1,126.9	1,166.5
<b>New Zealand</b>	43.4	74.1	394.1	494.6
<b>China</b>	10.3	17.1	157.0	313.6
<b>India</b>	12	28.7	130.6	239.3
<b>Italy</b>	119.9	288.3	238.5	221.7
<b>Philippines</b>	0.2	2.3	112.2	155.1
<b>Greece</b>	25.9	159.0	132.5	130.5
<b>Malaysia</b>	2.3	14.4	87.2	120.1
<b>Total Overseas-born</b>	<b>1,285.8</b> <b>14.3%</b>	<b>2545.9</b> <b>20.02%</b>	<b>4,482.1</b> <b>23.09%</b>	<b>5,485.9</b> <b>25.60%</b>
<b>Australian-born</b>	7,700.1	10173.1	14,931.2	15,945.9
<b>Total Population</b>	<b>8,986.5</b>	<b>12719.5</b>	<b>19,413.2</b>	<b>21,431.8</b>

Source: ABS 2010

### **South Australian immigration and its effects on the social economic reality**

Over the last century, immigration in South Australia has been changing its features in a substantial way. South Australia experienced economic and population growth

above the national average in the quarter century after the Second World War, this was also due to the rapid expansion of manufacturing. The population growth was not only a consequence of the natural increase that characterised most of the developed countries<sup>8</sup>, but also of great immigration, especially from Europe.

In 2004, the South Australia Government promulgated a population policy in which increasing immigration was central also with regard to its economic development (Hugo, 2008). The national policy around the permanent migration program aimed to maximize the immigrant intake positive impact on the national labour market and economy. In 2008-2009 skilled migrants comprised 63% of the permanent arrivals from overseas.

In conclusion, population and immigration constitute a great challenge that South Australia has to face in order to gain a competitive position within the national and international economic frame, due to the strategic importance they have towards social and economic development.

## **2.2 International Students in Australia and South Australia**

One of the main concerns about globalisation is the phenomenon called *brain drain*, i.e. the large-scale emigration of groups of educated or professional individuals with technical skills or knowledge, which is now involving students as well. In fact, international students moving across countries and continents are giving the main contribution to the definition of a related but completely different observable fact, named *brain circulation*. It relates to international experiences and social contacts that emigrants gain when working or studying in a foreign country and which become valuable resources for themselves as well as for the country of departure. In recent years, in fact, many of these emigrants have returned to their own country or have connected it with the network of relationships they have set up abroad.

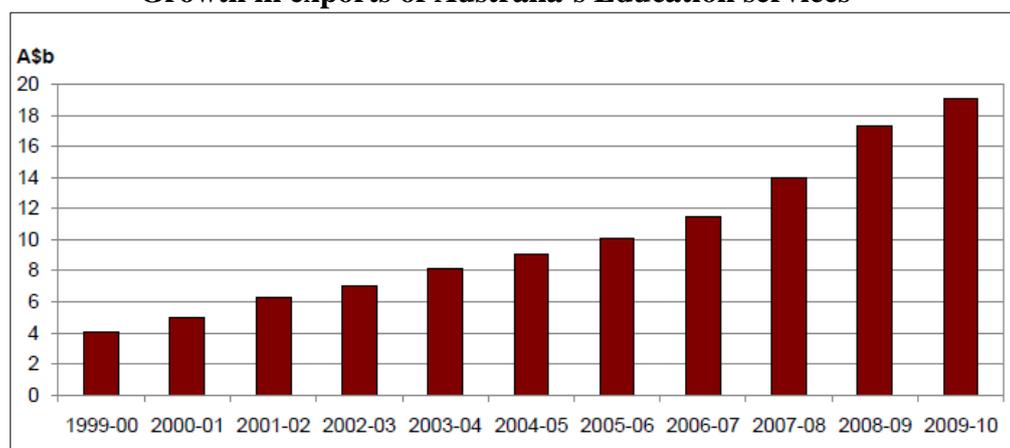
According to the Organization for Economic Co-operation and Development (OECD), over the last twenty years there has been a strong growth in transnational education with more than 3.5 million students enrolled outside their country in 2009 (OECD, 2011).

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<sup>8</sup> “baby boom generation”

In the meantime, Australia has become a major player in the international student market, attracting almost 10% of these 3.5 million students enrolled in foreign institutions and becoming the third largest destination for international education in the world<sup>9</sup>, hosting 7% of all tertiary students studying abroad. In 2010, education services provided to international students were valued at almost \$20 billion in export earnings, of which 57.4% was due to the higher education sector<sup>10</sup>. At the same time, the presence of such a great number of international students represents a further benefit to all students, who can benefit from the opportunity to expand their knowledge of other cultures.

**Growth in exports of Australia's Education services**



Source: ABS catalogue

Australia attracts students from all over the world, recording 176 different countries of students' departure, even though international students mainly come from the East Asia (in 2011 the top five nationalities, which are China, India, Korea, Vietnam and Malaysia, contributed to 55.4% of all education arrivals),

Analysing the enrolments by sector, in 2011 almost half of all of them were represented by higher education enrolments, being the only sector that continued growing from the previous year, while the others experienced a 10% decrease compared to 2010, as shown in the table below.

<sup>9</sup> The AEI (Australian Education International) defines international students as full-fee paying students, studying in Australia on a student visa. New Zealand citizens are not included as they do not require a visa to study in Australia.

<sup>10</sup> For Australia, international students export earnings are more than the value generated by wool, wheat and even beef.

<b>Enrolments</b>			
<b>Sector</b>	<b>2010</b>	<b>2011</b>	<b>Growth on 2010</b>
Higher Education	242,186	242,351	0.1%
VET	205,371	171,237	-16.6%
ELICOS	113,687	95,104	-16.3%
Schools	24,152	20,868	-13.6%
Other	31,068	27,865	-10.3%
<b>Total Australia</b>	<b>616,464</b>	<b>557,425</b>	<b>-9.6%</b>

Source: AEI 2011

According to Australian law, international students who have obtained an Australian qualification have the opportunity to apply for permanent residency onshore and this represents an important factor for *brain circulation*. It is not only seen as a brain gain for Australia, but also for the countries where these students originate, since they represent a privileged and reliable bridge between the two. In fact, long term students develop a deep understanding of both their own society and the host one, becoming part of both, without feeling or being seen as foreigners.

Although South Australia's economy is actively based on the traditional key sectors of mining, automotive and agri-food, in the last decade the many efforts have focused on boosting and improving excellence training, services, industry technology in the fields of defence and ICT, as well as in renewable energy (Clean-tech). These strategic sectors are going to play a key role in the economic growth of South Australia in the coming years. South Australia now considers the development of knowledge, creativity and innovation as key elements of its future development. In recent years, the Government of South Australia, the universities and the research centres have jointly been engaged in increasing and improving the State research and development system. This has also encouraged the private sector to increase its investments for the development of new technologies. This commitment demonstrates that South Australia gives high priority to the enhancement and development of research and scientific innovation, which are considered crucial elements of sustainable development of the State.

Expenditure on Research and Technological Development Gross Expenditure on Research and Development (GERD) in South Australia increased by 67.1% between

2002-03 and 2008-09, rising from an annual expenditure amounted to 1.1 billion Australian dollars (€22 million) to 1.9 billion dollars (€1.4 billion). The ratio of GERD to Gross Domestic Product (GDP) is used as an indicator for the development of scientific and technological research in a country. Between 2002-03 and 2008-09, the ratio of GERD/GDP of South Australia grew by 22.1%, from 1.95% in 2002-03 to 2.38% in 2008-09. This value was above the national average in Australia in 2008-09, which amounted to 2.21%, and was the third highest value among all Australian States, higher than the ratio of New South Wales (Sydney) and Queensland (Brisbane). The South Australia expenditure on R&D, which amounted to 2.38% of GDP in 2008, is comparable to those of countries that are recognised for their commitment to research and development such as the United Kingdom (1.77%), Canada (1.84%), France (2.02%), Germany (2.64%) and the U.S. (2.77%).

In South Australia there are three local universities (the University of Adelaide, Flinders University, and the University of South Australia) and two foreign universities that have opened campuses in Adelaide as a base for the South Pacific area (Carnegie Mellon University (USA) and the University College of London (UK)).

In this dynamic and exciting environment, South Australia offers a unique opportunity to gain an internationally recognised education while living and experiencing the language, lifestyle and spectacular landscapes.

Statistics show that being a destination for international students provides an important contribution to the regional economy. The Government of South Australia has highlighted this understanding through its strategic priorities and more specifically through the 2011 update of *South Australia's Strategic Plan*, setting the target of increasing the number of overseas students to 45,000 by 2014<sup>11</sup>. So far the number of international student enrolments in South Australia is a minor part of the total, with almost 32,000 out of approximately 560,000 enrolments in Australia in 2011. This notwithstanding, South Australia, over the last few decades, has recorded the largest growth of any state and territory, equal to 151.7%, more than doubling the

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<sup>11</sup> Target 90 of the 2011 update of South Australia's Strategic Plan, [www.saplan.org.au](http://www.saplan.org.au)

number of enrolments (the Australian average is an increase of 97.9% over the period). As for Australia, South Australia's largest source of international students is Asia<sup>12</sup>.

#### All sector enrolments by top 10 nationalities for 2011

Nationality	SA	Total
China	12,786	159,691
India	5,244	72,801
Korea	1,363	29,933
Viet Nam	1,249	23,738
Malaysia	2,328	22,836
Thailand	281	21,701
Indonesia	424	17,921
Nepal	363	17,780
Brazil	148	15,285
S. Arabia	916	11,772
Others	6,232	163,967
<b>Total</b>	<b>31,334</b>	<b>557,425</b>

Source: AEI 2011

According to the Australian Education International (AEI), in 2011 education services were South Australia's second largest export. South Australia has been the State with the greatest proportion of enrolments of international students in the sector of higher education, 10% over the national average (which is about 30% of the total number of foreign students). This is partly a consequence of the great number of agreements that governments and universities have been establishing in research fields. This data is the main result of the strategic plan that has been established in previous years and represents one of the main issues for the South Australian Government to address the economic and political strategy.

Although the international student market has great importance in the definition of the export income amount, from a long-term perspective it gains even more importance, since the students that settle down in South Australia become an active part of society. In the meantime, they continue their relationships with their own countries and get in touch with many other different cultures because of the international environment they live in. The result is the creation of networks, based on direct acquaintances,

<sup>12</sup> Chinese students represent over 40% of total enrolments in South Australia and 27% of total enrolments in Australia (AEI 2011).

which finds its hub where the meeting of different worlds takes place: “The international education sector is important in establishing bilateral ties with key partner countries and supports employment in a broad range of occupations in the Australian economy as well as delivering high-value skills to the economy” (Department of Immigration and Citizenship 2011).

Furthermore, this phenomenon represents a unique occasion for countries like Australia that have been disadvantaged by their geo-political position for ages to gain in importance, thanks to the role that the Asian-Pacific area is likely to assume in the next few years. Since the economic scene is becoming global and even if the heart will not be the West anymore, Europe and America also have to bear in mind this evolving scenario as they are still likely to remain among the main players. Given Australian cultural similarities to Europe, Australia has particular potential to become the main gateway for activities in the South Pacific region, a bridge between East and West.

Although foreign affairs and other issues are the responsibility of the Federal Government, States and Territories have the responsibility for promoting their own economies, supporting foreign investments in their territories and creating an attractive environment to encourage the settlement of innovative businesses. This attractiveness may depend on several aspects, such as law, economic and financial support, agreements with banks, transportation, telecommunication facilities and social cohesion. In this context, each State has a particular added value in stimulating economic development and in shaping the role of the single State into the international dynamics.

Over the course of history, South Australia has experienced many facts that have contributed to the creation of the current social and economic reality. In particular, it is worth noting the great immigration flow after the Second World War from Europe that still underpins the economic framework of the State, as well as the great importance that the increase of international students coming in South Australia can have for the future international dynamics. Telecommunication facilities, transportation and first class services are other factors, compared to their level all over Australia, that are likely to become key elements in the emergence of South Australia.

South Australia, and in particular its capital city Adelaide, boasts very competitive operational and managerial cost related to businesses. Adelaide has been recognised as one of the world's highest standard living cities at a lowest cost. Moreover, one of the most reliable consultancy agencies settled in New York, placed Adelaide 30<sup>th</sup> in 2009 and 7<sup>th</sup> in 2010 in the ranking of the Quality of Living Survey. The Economist Intelligence Unit placed it 9<sup>th</sup> in the World's most Livable Cities ranking of 2011. This means that Adelaide is experiencing a great escalation towards the top and the standard of living is likely to have positive spillover effects on investments in this area, both national and foreign, as well as on the economic vitality in general.

### **2.3 The Australian lure for foreign businesses**

Multiculturalism is not only a result of immigration flows. It is also shaped by, and in turn affects, the presence of foreign businesses that move from abroad to take advantage of particular factors that attract their investments in other countries.

Australia represents a great example from this point of view as well. Foreign enterprises and external investors can take advantage of the services that already exist in support of a multicultural society in Australia. There is not a need of a long and difficult process to adapt in the new environment and there is no risk to face acceptance concerns coming from the resident society.

South Australia's opportunities become a factor of attractiveness for foreign capital to be invested. The \$100billion budgeted in major projects on the horizon (mining, infrastructures, defence etc.) demonstrate, in the projects' diversity and scope, the prevailing confidence about South Australia's prospects well into the future.

This underpins the stability and the attractiveness of Australia to foreign investors, who could also take advantage of the trade agreements that Australia has signed with both Asian and Western countries that allow businesses to branch out and start to act in the international trade environment more easily, as we have previously discussed.

### **3. Example of International Cooperation at Regional and State level:**

#### **a new role for sub-national governments who think globally and act locally**

The research and development system of South Australia is very active and its main local players (State Government, the three universities, research centres and private companies) are strongly committed to making the State more and more competitive in this field. The increasing South Australian investments in R&D are the consequence of a well defined strategy which also aims to attract talent and investments in this sector. South Australia now therefore plays a key role in the international arena through alliances and agreements in the research and innovation fields. As a result of this liveliness, over the last decade South Australian research programs experienced a 25% increase in the number of foreign researchers involved, demonstrating the high competitiveness of the South Australian training and research system, as well as creating expanded international networks through which innovative ideas are generated. This also means that South Australia can play an important role in being a crux in shaping the brain circulation phenomenon (Benetti & Decarli 2011).

The State research excellences are mainly in the following four areas: health science, agro-food, engineering, and science.

These key fields in South Australian research, together with natural networks built up by individuals' backgrounds, lead to the establishment of various cooperation activities with different regions and countries all over the world. It is the case, for example, of the increasing number of agreements that the Government of South Australia, together with the local universities, has set up with different European Regions, mainly based on scientific research and technology transfer.

These initiatives fit perfectly into regional strategic plans allowing to promote each other's stakeholders (universities, research centres, high-tech companies, etc...) and to share mutual priority areas. In recent years, the Government of South Australia signed five Memoranda of Understanding with Italian Regional Governments. Three of them (with Puglia, Basilicata and the Province of Trento) have already shown encouraging results.

This strategy has won support from the State's higher education and research sector, as it is recognised that collaboration between South Australian institutions and international partners has been beneficial in opening up additional opportunities for scientific, higher education and commercial application including networks of excellence within Europe (Germany, France and UK). Some of these outcomes include

joint partnerships that are co-funded by the European Union and that is not directly open to Australian scientists. These scientific/technological projects are co-funded on a dollar for dollar basis by both regional governments.

Experience thus far has demonstrated that, with a small amount of seed funding, institutions are able to leverage much more significant investment. Aspects of this Italian-South Australia model of engagement have since been extended to other European regions.

In 2008 the first agreement was signed with the **Apulia Region**. It enhanced a three-year mutually supportive cooperation in the fields of training and research excellence (science and technology) and was designated to several areas of common interest to focus higher education scholarship and research activity. These areas align with strategic priorities in both regions, mainly: biotechnology; energy; integrated logistics; nanotechnology; mechatronics; agriculture; conservation; water; information technology and tourism. In the first funding round (2009-2010), nine projects (robotics, agro-food, transport and energy), three master courses and various research exchanges between the two scientific communities were funded by cooperating Governments. In the second funding round (2011-2013), eight projects (ICT, agro-food, water and nano-materials), nine master courses and various researcher exchanges between the two scientific communities have been funded by the two Governments. In addition to these projects, a number of workshops have been organised in Puglia and in Adelaide with the aim of sharing research results and innovative ideas.

In 2009 an agreement was signed with the **Basilicata Region** where the two Governments agreed to co-fund joint pilot projects in remote sensing and earth observation field.

In 2010 an agreement was signed with the **Autonomous Province of Trento**, where the two regional Governments co-funded joint pilot projects in the fields of wine and nanotechnology.

In 2011, bilateral cooperation in the agri-food field began with the **Molise Region**. In 2012 the first two projects were co-funded by the two Regional Governments.

On 20 October 2010, a tri-lateral Scientific and Technological agreement with a focus on wine was signed between the following three international Institutes: Australian

Wine Research Institute in South Australia, Institute des Sciences de la Vigne et du Vin from Bordeaux in France and the Geisenheim Research Centre in Germany. The AWRI has proposed that the South Australian Government enter into an MoU with the Governments of **Hessen (Germany)** and **Aquitaine (France)** with a focus on wine. The agreement is aimed at creating and supporting an international network of centres of excellence involving the local research centres, universities, public/private organisations and private companies. The potential trilateral agreement could generate enormous benefits for the SA wine industry and our State by improving access to research and development opportunities and international best practice.

Besides this, other agreements have been signed by the Government of South Australia with three different universities in Italy, in particular with the Bocconi University, the Politecnico of Turin and the University of Trento. Students from these universities have therefore the chance to come to Australia and experience, through an internship within the Government, the first steps in work experience as well as the Australian reality, while creating worthy personal connections for their future.

All of the above mentioned information must be seen in the perspective of sharing experiences and knowledge as well as developing creativity and innovation which are the key factors for international future success. They represent, in fact, elements of a win-win long term strategy, where both parts of inter-regional partnerships can benefit.

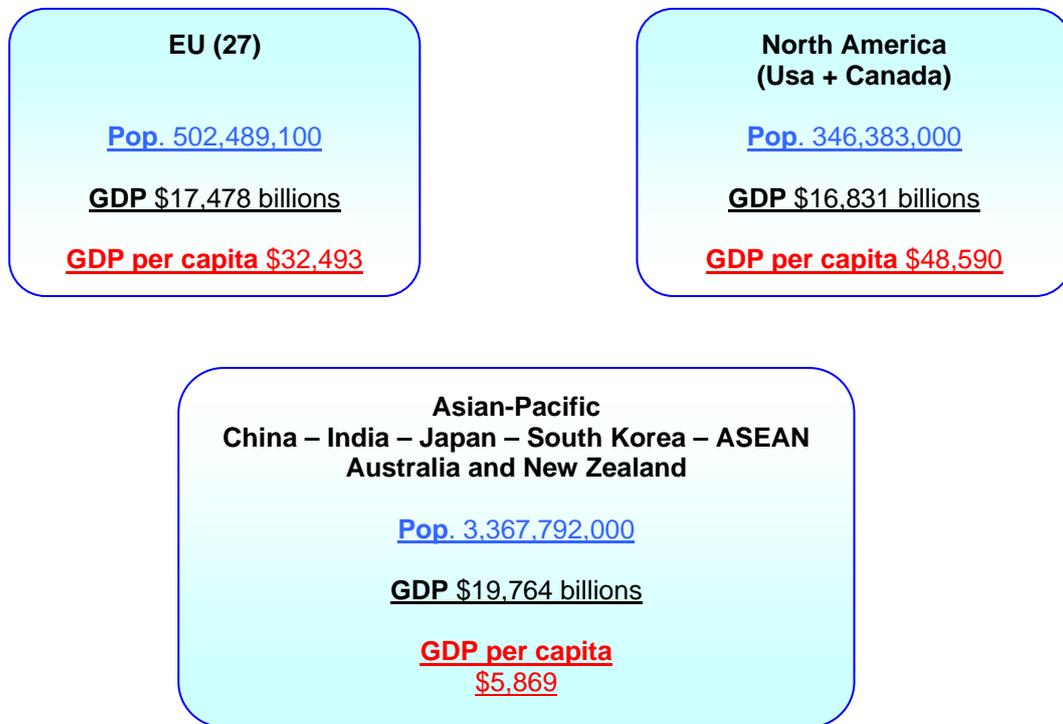
## **Conclusion**

### **Building a bridge: sustainable development**

The Asia-Pacific area is likely to become the new cradle of economy and trade. If all the agreements discussed in the FTAs' chapter are going to become effective, then this region would overtake the EU and the NAFTA in being the largest free trade area in the world.

Taking into account the opportunity of the shift of the economic hub in the Asia Pacific area, Australia is demonstrating strategic capacity in trying to become the meeting point of two different realities such the West and the new Asian economies. Its cultural background makes Australian features unique in attracting the interest and

trust of both western and eastern sides. As an example, we should consider that Australia is the only country in the Asia Pacific area that has an FTA with the USA.



Data source: IMF 2011

Besides this, the issue of sustainability emerges: from a global perspective, building a bridge between the West and the emerging Pacific area as we described earlier, is also a concern about international balance, not only from an economic point of view, but also from a social one.

Even though Asian economies have increased impressively, the per capita GDP<sup>13</sup> difference from the West is significant in telling us the diverse scale of development that is going on in these territories where the most part of the world population is concentrated. Although economies are growing quickly, people's incomes are still far from those of Western people. Moreover, we have to consider that the wealth is likely to concentrate in a few hands and it means great social disequilibrium within

<sup>13</sup> Among countries included in the Asia Pacific area it must to be said that Australia and New Zealand differ from the other countries for having 1,650 billion dollars GDP and a population of only 27.145 millions. The per capita GDP results therefore hugely higher, equal to 60,785 dollars.

developing societies. A sustainable growth would imply a new trade-off heading to a more equal distribution of wealthy and homogeneous social condition of living.

Nevertheless, sustainability is first of all a long-term strategy, a guideline that has to lead politicians and governments to take decisions in an intergenerational perspective. Creating international networks could provide a long run stable economic and political environment and it is therefore considered a good sustainable policy. Moreover, such ties need time to consolidate and partners to be reciprocally trustworthy.

Sharing experiences, knowledge, information, training programs and workshops, represent an absolute must in an increasingly globalized context. South Australia is deeply involved in the development of knowledge, creativity and innovation as key elements for its future and international cooperation is considered a strategic choice, related to inter-regional partnerships that allow sharing specific initiatives considered as priority by both partners.

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