



# Tasmania's Place in the Asian Century

Issues paper

August 2012

# Foreword

## MESSAGE FROM THE PREMIER

In my State of the State speech of 6 March 2012 I announced that the Tasmanian Government would commission a White Paper on 'Tasmania's Place in the Asian Century'.

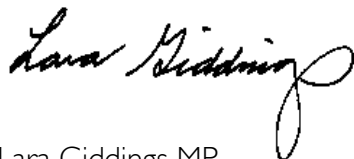
The 21st Century has been described as the Asian Century, with good reason. Since 1980, China's and India's combined share of the world economy has more than quadrupled. By 2030 that figure is forecast to almost double again. The Asian Century is here and Tasmania can and must do more to take advantage of it.

We already have strong trading ties with major markets like China, Japan and Korea. However, as Asia becomes more prosperous, the potential trade benefits and markets for Tasmania will grow dramatically. The Asian middle class is predicted to grow from around 500 million people today to more than three billion over the next 20 years. These are the future consumers for Tasmanian wines, dairy, tourism, education and other high quality services and products.

Tasmania has made significant steps into the Asian market through the work of both government and industry, including education. Our export performance shows that traditional industries like mining, fishing, sustainable forestry and value-added downstream processing have a strong future. Now is the time to take stock and renew our efforts to ensure we are coordinated and well positioned for Tasmania to aggressively pursue new opportunities in the Asian market.

The timing of this White Paper is perfectly positioned to coincide with the Australian Government's Asian Century White Paper led by Dr Ken Henry. In parallel with the national project, our White Paper will lay the foundations for Tasmania to navigate its way through the most transformative economic shift of power in generations.

I encourage all stakeholders to respond to this Issues Paper, which will help answer the question of how Tasmania best positions itself to capture current and emerging economic opportunities in Asia. Written comments should be submitted by 28 September 2012.



Lara Giddings MP  
Premier

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## Summary

Our White Paper on Tasmania's Place in the Asian Century will complement and build upon the work Ken Henry is undertaking for the Australian Government on its own White Paper on Australia and the Asian century. The Australian White Paper is expected to be released by the Australian Government later this year.

The key purpose of the Tasmanian White Paper is to answer the following question:

*How can Tasmania best position itself to capture current and emerging economic opportunities in Asia?*

By virtue of Asia's sheer geographic and population size and growth capacity, the convergence of key Asian economies towards high per capita incomes will mean that Asian economies will dominate the global economy in the 21<sup>st</sup> Century. This is the most transformative economic shift of power in generations and Tasmania will need to adapt to the economic transition that will result from the growth in Asian economies.

In 2010-11, Tasmania had international merchandise exports, including commodities, of \$3.17 billion in Australian dollars. China including Hong Kong, Japan, Taiwan, India, Korea and the United State of America were Tasmania's major export destinations. The major export commodities were zinc, aluminium, woodchips, copper ores and iron ores. Together, these commodities account for 50 per cent of Tasmania's exports.

With the Asian middle class predicted to grow from around 500 million people today to more than three billion over the next 20 years, there is strong potential growth in markets for Tasmania's wines, dairy, tourism, education and other high quality services and products.

This Issues Paper seeks to provide an overview of some of the issues facing Tasmania in the Asian Century, including:

- an outline of the Tasmanian and Australian White paper processes;
- an outline of what the Asian Century means;
- the current structure of Tasmania's exports of goods and services; and
- potential barriers and opportunities for increasing Tasmania's engagement in the region.

The role of this Issues Paper is to inform and invite submissions so that the Tasmanian White Paper can be informed and effective in positioning Tasmania for the Asian Century.

# I Introduction

During the past fifty years, there has been dramatic economic growth in a number of Asian nations which has seen the balance of economic power and political influence shift from North America (particularly the United States of America) and Western Europe. This growth started with the post-war recovery of Japan in the 1950s, followed by other Asian economies such as Korea and more recently China and Indonesia.

By virtue of Asia's sheer size and capacity, the scale of change that we are seeing is unprecedented in human history. With a current estimated population of just over 4.15 billion people, the total number of people in Asia is set to grow by over 400 million by 2020 and by another 570 million by 2050. Growth is also linked to development, with the population becoming increasingly urbanised, the middle class growing rapidly and the take up of information and communications technology accelerating. With the Asian middle class predicted to grow from around 500 million people today to more than three billion over the next 20 years, there is strong potential growth of Tasmania's wines, dairy, seafood, tourism, education and other high quality services and products.

Tasmania will need to adapt to the economic transition that will result from the growth in Asian economies. Effective adaptation will require change and cooperation at both the national and the State level to ensure a flexible labour market, sharing of transition and adjustment costs, and competitiveness in key emerging markets – for example, food and beverages, education and tourism. We will need to continue to build and develop new skills to remain competitive, and maintain and grow our share of exports and foreign direct investment with the region.

## I.1 Purpose of this Issues Paper

The purpose of this paper is to provide a short overview of some of the information currently available and to identify some of the questions that stakeholders may wish to consider in developing a submission. Issues that are considered include:

- Defining the Asian 'region' for the purposes of the Tasmanian White Paper;
- Some current and emerging markets and economic opportunities in the region;
- the types of economic opportunities in Asia for which Tasmania may have a current and/or future competitive advantage; and

- the current structure of Tasmania's industry, science, education and community sectors and their levels and forms of engagement with the region.

## 1.2 The Australian Government's Australia in the Asian Century White Paper

On 28 September 2011, the Prime Minister, Hon Julia Gillard MP, commissioned a White Paper on Australia in the Asian Century. This was in recognition of the unprecedented scale and pace of Asia's transformation and the impacts that Asia's demand for resources and other goods was already having on the Australian economy.

The work on the Australian White Paper is being led by former Treasury Secretary and Special Adviser to the Prime Minister, Dr Ken Henry AC, and is supported by a taskforce within the Department of Prime Minister and Cabinet that draws on resources across the Australian Government and other sectors. The purpose of the Australian White Paper is to identify what action Australia should take to seize the opportunities and meet the challenges arising from the Asian Century.

The Australian White Paper will consider:

- the current and likely future course of economic, political and strategic change in Asia, encompassing China, India, the key ASEAN countries<sup>1</sup>, Japan and the Republic of Korea;
- the domestic economic and social opportunities and challenges of the Asian Century for Australia;
- opportunities for a significant deepening of our engagement with Asia across the board, including in the economy, science and technology collaboration, clean energy, education, business-to-business and people-to-people links and culture;
- the political and strategic implication of the Asian Century for Australia; and
- the role of effective economic and political regional and global cooperation.

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<sup>1</sup> Association of Southeast Asian Nations (ASEAN) comprising Burma, Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Philippines, Singapore, Thailand and Vietnam. Australia is one of 10 Dialogue Partners with ASEAN.

The Australian White Paper is supported by a high-level Advisory Panel comprising senior officials and external advisers. The Panel comprises:

- Professor Peter Drysdale AM, Emeritus Professor of Economic, Australian National University;
- Mr John W H Denton, Partner and CEO, Corrs Chambers Westgarth;
- Ms Catherine Livingstone AO, Chair, Telstra Corporation;
- Dr Gordon de Brouwer, Associate Secretary, Australian Government Department of Prime Minister and Cabinet;
- Dr David Gruen, Executive Director, The Australian Treasury; and
- Dr Heather Smith, Deputy Secretary, Australian Department of Foreign Affairs and Trade.

The timeframe for the Australian White Paper is:

- |  |                       |
|--|-----------------------|
| - Release of Australia in the Asian Century Issues Paper | 17 December 2011      |
| - Public submissions on Issues Paper closed              | 4 March 2012          |
| - Series of roundtables with key stakeholders            | March – June 2012     |
| - White Paper released                                   | August/September 2012 |

On 6 July 2012, Professor Drysdale visited Tasmania to conduct roundtables with selected members of Tasmania's Government, business and education sectors. The roundtables will also assist informing the Tasmanian White Paper process.

The Tasmanian White Paper will also identify any opportunities for Tasmania arising from the implementation of policies following the release of the Australian Government's White Paper on Australia in the Asian Century.

### 1.3 Definitions of Asia

The terms of reference for the Australian Government's Australia in the Asian Century White Paper specifically identified China, India, key ASEAN countries, Korea and Japan as of interest in the development of the Australian White Paper. Tasmania is likely to take a similar approach in recognition of the following factors:

- China has become the biggest import/export market for every East Asian country, except the Philippines; and is now Tasmania's largest export market;



- Japan was Tasmania's largest export market until 2008-09 and is still a key market for high brand value-added exports;
- Indonesia is geographically close and an increasingly dynamic and democratic power with a population of 280 million people;
- Korea is an increasingly wealthy and significant market for Tasmania's exports. There is added interest given the approved \$150 million ParanVille integrated village proposed by Korean developer Paul Kim. This development has the potential to attract hundreds of Korean and other Asian students to its language school.
- India has the second largest population in the world and is on-track to exceed China's population sometime this century. Economically India has now started to grow strongly, particularly in international ICT services. Shared British Commonwealth institutions, such as Common Law legal systems, and sporting relationships may also provide common social and institutional links which may be considered.<sup>2</sup>
- For international education purposes there are key markets in East Asia (China, Japan, Hong Kong and South Korea) South Asia (Nepal, Pakistan, India and Sri Lanka) and South East Asia (Vietnam, Indonesia, Philippines, Thailand, Malaysia, and Singapore).

### Discussion Questions

- 1.1 Should Tasmania consider itself part of Asia?
- 1.2 Is there a case for including the Middle-East in an assessment of Asian opportunities as part of the Tasmanian White Paper process?
- 1.3 Should the existing developed East Asian economies be considered distinctly from China and the rest of Asia?
- 1.4 How should the West Coast of North America be considered in the process? A potential market that is part of Asia, or potential competition with similar competencies and brand values to Tasmania? What about New Zealand?

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<sup>2</sup> Future Forum, 3 August 2011, *How will the Asian Century shape Australia's future?* <http://www.abc.net.au/news/2011-08-01/how-will-the-asian-century-shape-australias-future/2816414> Accessed 13 June 2012

## 2 The Asian Century...what it means

Asia is home to more than half of the world's population. However, for much of the 19<sup>th</sup> and 20<sup>th</sup> centuries, Asia's role in the world, both economically and strategically, was subdued in comparison to the influence of Europe and North America.

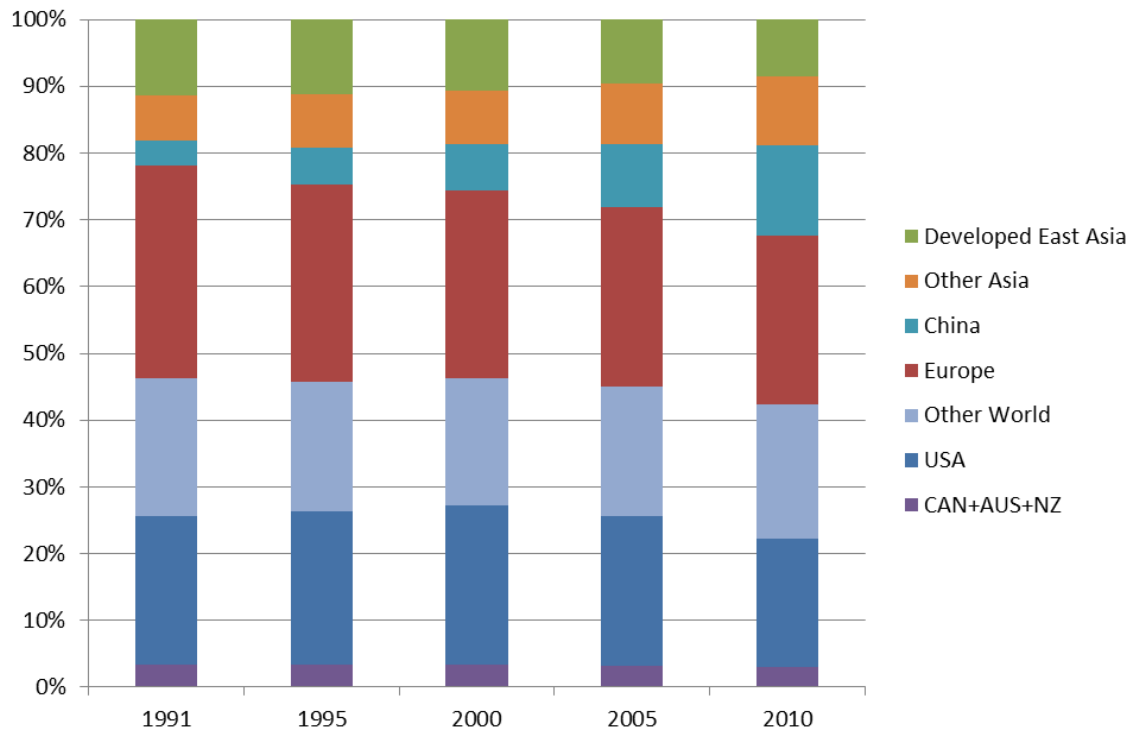
The relative decline of Asia was due to the influence of the industrial revolution; which raised living standards and access to technology to those nations and regions which effectively embraced its potential. With economic power came strategic power. The leading economic edge of the industrial revolution evolved from the United Kingdom at the start of the 19<sup>th</sup> century, spreading to Europe, and for much of the 20<sup>th</sup> century, focused on the United States of America. Now, the leading edge of economic growth has moved to Asia.

The capacity for the sustained economic growth that enables countries to achieve and then sustain high per capita incomes does not appear to be fundamentally based on ownership of capital, technology or resources, although access can be important in some cases. Instead, the key enablers of growth appears to be institutional and social, and in the case of the Asian economic miracle, access to markets. Stylised institutional factors for sustained growth are the encouragement of enterprise and innovation, with an emphasis on trade and competitiveness, supported by rules of law that provide confidence for ongoing investment. Favourable circumstances for growth first emerged in Asia in the Meiji Restoration in Japan in 1868, were implemented by East Asian economies in the latter half of the 20<sup>th</sup> Century and most recently were established in China with the economic reform process initiated in 1978 under Deng Xiaoping.

The 'Asian Century' is based on the hypothesis that the combination of convergence of key Asian economies towards high per capita incomes, and the sheer size of the populations in those economies, will mean that Asian economies will dominate the global economy in the 21<sup>st</sup> century. This is already happening, with the global share of world output of Asian economies now larger than that of the Western economies.

There are a number of geo-political issues that are associated with the re-emergence of Asia into a globalised world; however, the Tasmanian White Paper is fundamentally focused on economic opportunities.

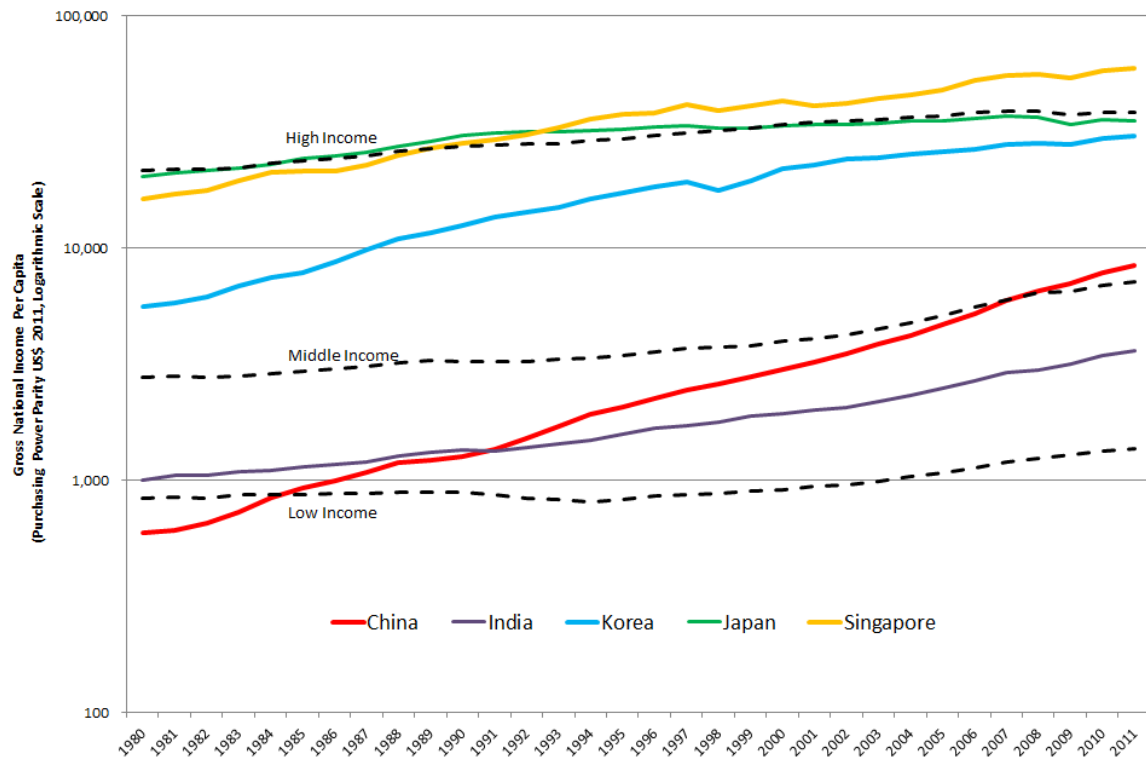
Chart 2.1: Shares of World Income 1991-2010



Note: Purchasing Parity adjusted GNI (GNI per Capita PPP x Population),  
 Source: World Bank World Development Indicators  
 Developed East Asia comprises Japan, Korea, Singapore and Hong Kong (as Taiwan / Chinese Taipei not reported in World Bank data)

Chart 2.1 shows shares of world income since 1991. The main engine of Asia's increasing share of world output has been China, with a relative decline in developed East Asian economies, principally Japan, offset by growth in 'other' Asia. China has grown from around 3.9 per cent of world income in 1991 to 13.4 per cent of world income in 2010. Chinese growth in income share has mainly been at the expense of Europe which has declined from 31.8 per cent of world income to 25.3 per cent of global income. The United States of America has maintained its share of world income up until the 2008 Global Financial Crisis, but has fallen since. Australia, Canada and New Zealand have largely maintained their share of global output and income growth over the last two decades.

Chart 2.2: Convergence of East Asian Income per capita



Source: World Bank, World Development Indicators

Chart 2.2 shows real gross national income per capita for five Asian nations between 1980 and 2011. Japan was already a high income country in 1980 in purchasing power parity terms and has maintained that position, although in relative decline since 1991. The per capita growth of China, Korea and Singapore has been strong over this period, with Singapore's income per capita now much higher than many 'rich' countries and Korea now clearly in the high income grouping. China's improvement has been remarkable, moving from being a very poor country in 1980 to a middle income country in the space of one generation. India's growth has also been steady, but by no means comparable to that of the East Asian economies.

In real terms per capita income actually declined for low income countries over the 1980s and early 1990s, reflecting weak commodity prices and ineffective growth policies. In the 2000s, low and middle income countries have, on average, experienced steady improvements in real per capita income. This may reflect more effective growth policies, higher commodity prices and wider access to technology such as mobile phones.

The growth in Asia has had a substantial positive impact on the Australian and Tasmanian economies. For example, Japanese investment and commercial agreements assisted in the development of large scale export agreements, including iron ore and liquefied natural gas. The development of a wealthy, quality conscious consumer also supported the development of high-value food exports and associated branding.

### Food Security and Climate Change

The growth of the Asian middle class has been identified as a significant opportunity for Australian food exports. A major contribution of the Chinese economic revolution to the reduction of global poverty was through the improvement of crop yields in Chinese agriculture.<sup>3</sup>

However, climate change and the continued growth of Asian populations presents a food security threat in the Asian region. Climate change has the potential to detrimentally impact cereal crop yields by 10 per cent by increasing temperatures and declining water access. The Intergovernmental Panel on Climate Change has identified that by 2020, 50 million people may be a risk of hunger, and by 2050, 132 million people may be at risk.

Food security and climate change issues represent potential threats to the smooth development of Asian political economy. The Arab Spring revolutions in the Middle East that erupted in December 2010 has been linked to food shortages and the rising price of cereals.<sup>4</sup> Australia and Tasmania can make a constructive contribution to food security through food exports, enabling balanced direct foreign investment in our agriculture sector and exports of food science and climate science expertise.

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<sup>3</sup> Professor James Mirlees, *Eradicating Poverty* presentation to the University of Tasmania and Economic Society of Australia 13 July 2012.

<sup>4</sup> Guardian Newspaper 'Use your loaf: why food prices were crucial in the Arab spring' Guardian Newspaper 17 July 2011 <http://www.guardian.co.uk/lifeandstyle/2011/jul/17/bread-food-arab-spring> Accessed 1 August 2012

### Discussion Questions

- 2.1 What are the key opportunities for Tasmania from the growth in Asian economies?
- 2.2 Are Asian market opportunities for Tasmania sustainable?
- 2.3 How can Tasmania manage the risks associated with Asian economic growth?
- 2.4 Should Tasmania focus on accessing Asian opportunities broadly, through capabilities, or by targeting specific markets and export products and services?
- 2.5 How can Tasmania leverage Asian growth indirectly, for example through supporting Australian exports through the provision of services to mining or fly-in-fly-out workers?

## 3 Tasmania's Asian engagement

### 3.1 Tasmania's international merchandise exports (2010-11)

In 2010-11, Tasmania had international merchandise exports of \$3.17 billion in Australian dollars. China (including Hong Kong), Japan, Taiwan, India, Korea and the United States of America were Tasmania's major export destinations.

The major export commodities were zinc, aluminium, woodchips, copper ores and iron ores. Together these commodities accounted for 50 per cent of Tasmania's exports.

The second most important export item, after zinc and associated products, were 'confidential items of trade' worth \$499 million. This is likely to include exports of ferries from Incat.

For many commodities, a single country dominates the market for our product. This may also be associated with vertically integrated supply and investment relationships. For example, the single largest bilateral commodity relationship in 2011-12 was exports of \$199.6 million of copper ore to India. This trade represented around 80 per cent of our exports to India and 89 per cent of our copper ore exports.

- In 2010-11, exports to **China** (including **Hong Kong**) were worth \$778.8 million. The largest components were metal and metal ores, including iron ore (\$184.8 million), zinc (\$179.1 million), aluminium (\$60.0 million), tin ore (\$37.8 million) and lead ore (\$15.0 million). Woodchips (\$83.0 million) and wood products (\$29.0 million) were also significant. The most significant food export to China was Abalone (\$76.3 million). The other significant high value food exports were rock lobster (\$19.2 million) and Atlantic salmon (\$14.5 million). Other agricultural exports of significance were wool (\$17.4 million) and raw hides & skins (\$14.5 million).

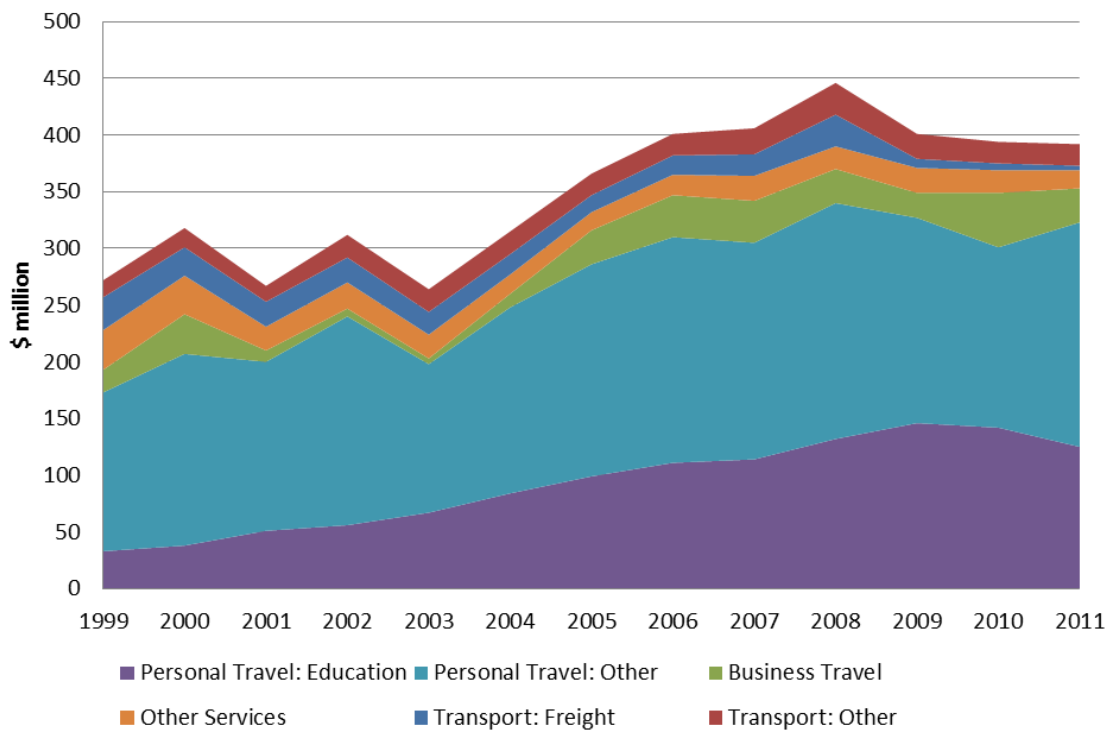
Exports of iron ore, lead ore, abalone, rock lobster, wool and raw hides & skins are dominated by Chinese demand. With the exception of confidential items of trade (\$12.7 million) no other export to China had a value greater than \$5 million. The identified categories represented over 95 per cent of exports by value. Beverages (including wine) had exports of \$1.53 million in 2010-11, which was more than double the exports of \$720 000 estimated for 2009-10.

- In 2010-11, exports to **Japan** were \$401.4 million. The largest item was woodchips (\$130.5 million), followed by beef (\$73.4 million) and aluminium (\$71.5 million). Zinc exports to Japan were \$23.9 million, and miscellaneous base metals were \$11.2 million. Important food markets included Atlantic salmon exports of \$14.2 million and cheese exports of \$14.6 million. The value of confidential items of trade was \$27.7 million. Together the identified categories represent 91.5 per cent of exports to Japan by value.
- In 2010-11, exports to **Taiwan** were \$313.6 million. The four significant items were zinc (\$149.7 million), confidential items of trade (\$89.4 million), aluminium (\$34.7 million) and woodchips (\$22.1 million). Together the identified categories represent 94.3 per cent of exports to Taiwan by value.
- In 2010-11, exports to **India** were \$254.4 million. The two significant items were copper ore & concentrates (\$199.6 million) and powdered milk (\$25.7 million). Together these two items represent 88.6 per cent of exports to India by value. The next three items were zinc (\$14.0 million), newsprint (\$6.4 million) and wool (\$4.9 million).
- In 2010-11, exports to **Korea** were \$245.0 million. The key export items were aluminium (\$155.2 million), confidential items of trade (\$29.8 million), copper ores & concentrate (\$24.9 million), zinc (\$14.0 million) and beef (\$12.4 million). Together these five items represent 96.4 per cent of exports to Korea by value.
- In 2010-11, exports to **Malaysia** were \$218.0 million. The four key items were tin ores & concentrates (\$80.1 million), zinc (\$56.3 million), wood and articles of wood (\$46.4 million) and aluminium (\$11.6 million). Together these four items represent 89.1 per cent of exports to Malaysia by value.
- In 2010-11, exports to **Indonesia** were \$127.5 million. The five items with exports greater than \$10 million were zinc (\$41.5 million), aluminium (\$26.4 million), confidential items of trade (\$19.8 million), road vehicles (\$12.2 million), and powdered milk (\$10.3 million). Together these five items represent 86.4 per cent of exports to Indonesia by value.



### 3.2 Tasmanian Services Exports

Chart 3.1 Tasmania's Services Exports 1999 to 2011



Source: Australian Bureau of Statistics, 5368.0.55.004 - International Trade in Services by Country, by State and by Detailed Services Category, Calendar Year, 2011

Chart 3.1 shows Tasmania's services exports between 1999 and 2011. Tasmania's education exports grew steadily between 1999 and 2009, but that growth has now tapered off. Other travel exports have also grown, but with significant year to year volatility. Freight transport and other services (such as telecommunications and insurance) have declined.

In relative value terms, personal travel exports (\$198 million) is Tasmania's sixth largest export category, on a par with iron ore exports (\$197 million), while education exports (\$125 million) is Tasmania's eighth largest export category, slightly larger than tin ores (\$118 million) or beef exports (\$112 million).<sup>5</sup> Taken together Tasmania's services exports

<sup>5</sup> ABS (2011) 5368.0.55.004 International Trade in Services by Country, by State and by Detailed Services Category

of \$392 million would rank fourth, behind zinc (\$530 million), confidential items of trade (\$499 million) and aluminium (\$413 million).

The economic impact of services exports are likely to be higher than a similarly sized commodity export due to the higher economic multipliers associated with labour intensive services.

### 3.3 Tasmanian International Tourism

Tourism (including overseas students) is Tasmania's most significant international service export. In the year to March 2012, 142 700 international visitors visited Tasmania.<sup>6</sup> During this period:

- The number of visitors declined by 1 per cent from the 144 100 international visitors estimated to have visited in the year to March 2011.
- Total expenditure by visitors was estimated to be \$253 million, an increase of 7 per cent on the previous year.<sup>7</sup>
- Education was the purpose of 6 800 or around 5 per cent of the international visits.
- International visitors from Asia represented 34.5 per cent of international visitors, or 49 200 visitations.
- The top three countries of origin for Asian visitors to Tasmania was Hong Kong (9 000), China (8 400) and Malaysia (7 500).

In recognition of the growing importance and potential for more visitors from China, the Tasmanian Government has appointed a new Tourism Tasmania representative based in Shanghai to focus on markets in Northern and Eastern China in addition to Tourism Tasmania's Asian team based in Hong Kong.

Catering to the specific needs of the Asian market may be critical to success. The Mercure Hobart has become the first hotel in Tasmania to gain the Optimum Service Standards accreditation for Chinese Visitation. The Hotel achieved this by catering for the specific cultural needs of our Chinese visitors by providing, for example, Chinese snacks for breakfast, room service menus in Mandarin, and Chinese channels on TV.

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<sup>6</sup> *Tasmanian Tourism Snapshot - Year ending March 2012* [www.tourismtasmania.com.au](http://www.tourismtasmania.com.au) (accessed on 23 July 2012).

<sup>7</sup> Note Tourism Tasmania expenditure estimates may vary from Australian Bureau of Statistics expenditure estimates due to different classifications and timeframes.

Bridestowe Lavender Farm at Lilydale and Tas Live Abalone at Mornington have also tailored their business operations and on-site tours to the needs of the Chinese visitor market.

### Discussion Questions

- 3.1 How well prepared is Tasmania to receive Asian tourists?
- 3.2 Are there specific Asian markets or income segments that Tasmania should target?

### 3.4 International Education

Services exports of education have grown significantly over the last decade, but also serve as an important conduit to increase Asian literacy and the capacity of Tasmania to engage with Asia and capture economic opportunities in the region.

- The top five markets for international student enrolments in Tasmania are: China; Malaysia; Korea; Singapore and Saudi Arabia.<sup>8</sup> By comparison, in Australia, Indian students are the second largest contributor to international education exports. This suggests that Tasmania may have the potential to increase its Indian student enrolment, although it is noted this may be dependent on vocational training and education, migration and appropriate employment opportunities.
- Tasmanian international education providers currently invest a large marketing effort in attracting students throughout Asia to study in Tasmania. Marketing effort comes from individual independent schools, the University of Tasmania (UTAS, both the International Unit and individual faculties), and Government Educational and Training International (GETI) on behalf of the Tasmanian Government schools and the Tasmanian Polytechnic. Tasmania has also recently launched Study Tasmania, an initiative of the Education Minister's International Education Industry Round Table. Study Tasmania is marketing Tasmania as a destination for education at all levels.
- Tasmania also has a number of current offshore programs from UTAS, the Tasmanian Polytechnic and schools in China, Malaysia, Korea and Hong Kong. These include full delivery of qualifications offshore, partial delivery offshore with completion onshore, pathway programs, English language programs and sister school exchange programs.

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<sup>8</sup> Australian Education International, *AEI International Student Enrolment Data 2012*

- While parents have traditionally made education decisions, increasingly students will have a stronger influence of where they study, so the amenity and lifestyle appeal of Tasmania to potential Asian students will be of increasing importance. Anecdotally, Tasmania's attractiveness has been based on being well-priced relative to its academic standing, positioning that it potentially under threat from both exchange rates and any increase in fees. Conversely, Tasmania may be held back by lower population densities and access to cultural amenities such as public transport and late-night entertainment.

#### Discussion Questions

- 3.3 How well prepared is Tasmania to receive Asian students?
- 3.4 What actions should the Tasmanian Government, community and educators take to attract Asian students and ensure they have a positive educational experience?
- 3.5 Are there specific Asian markets that Tasmania should target?
- 3.6 Should the emphasis on delivering education be in-country, online or in Tasmania?

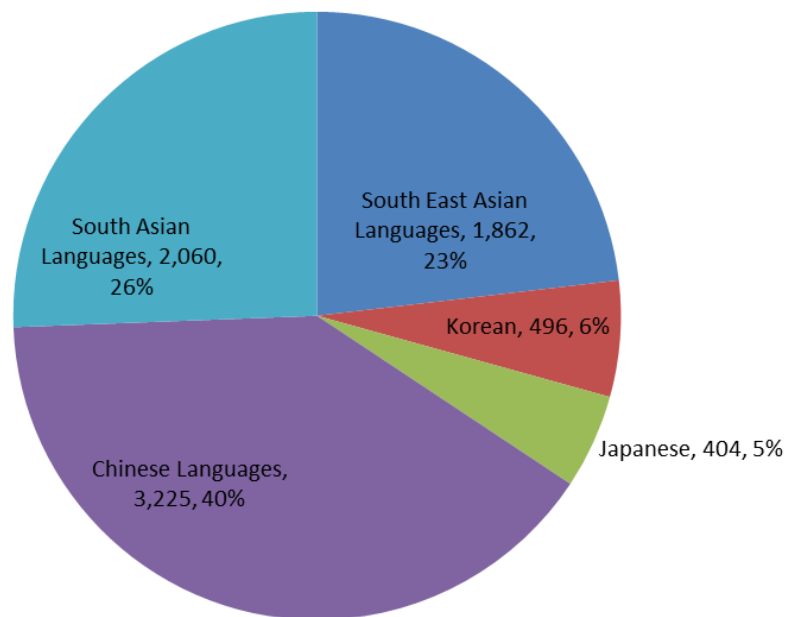
## 4 Can Tasmania access Asian growth?

### 4.1 Is Tasmania Asia Literate?

For the purposes of the Tasmanian White Paper, Asian literacy is considered not simply as an issue of speaking Asian languages, but in a broader context of having the cultural and institutional knowledge and experience to successfully do business with Asia.

A large proportion of Tasmania's exports, both goods and services, are to Asia. However, for the successful growth of the Tasmanian economy, effective Asian literacy at both the government and enterprise level will be a key to success. While language fluency may be only a weak proxy of broader Asian literacy, it is important, and Tasmania may be behind the rest of Australia in this measure.

Chart 4.1 Tasmanian residents who speak an Asian language - 2011 Census:



In the 2011 Census by the Australian Bureau of Statistics, 1.6 million or 7.4 per cent of Australia's population of 21.5 million spoke an Asian language. For Tasmania, 8 047 persons,

or 1.6 per cent of the population were identified as speaking an Asian language. The proportion of speakers are identified in Chart 4.1.<sup>11</sup>

Asian languages is only one element of developing Asian literacy in the broader sense, however, it does provide an important discipline for learning to see the world through the eyes of another culture which is critical to building successful cultural and business exchanges. Other potential pathways to increasing Asian literacy include increasing migration, encouraging participation in conferences and exchanges, and undertaking visits to the region.

Identified challenges in increasing the uptake of Asian languages in Tasmanian schools includes the difficulty of recruiting skilled language teachers where a strong expatriate community is lacking and perceptions that learning languages like Indonesian and Chinese is not cool.

Asian literacy is also reflected in the preparedness of employers to employ people with limited or strongly accented English. This may limit the accessibility of employment for Asian students and the potential to capture education, migration and business opportunities.

### Discussion Questions

- 4.1 How important is Asian literacy to your business or work?
- 4.2 What actions should the Tasmanian government, community and educators take to improve Tasmania's Asian literacy?
- 4.3 Could more use be made of students to improve Tasmania's Asian literacy?
- 4.4 Could more use be made of Tasmania's international migration program to improve Tasmania's Asian literacy?

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<sup>11</sup> Australian Bureau of Statistics 2011 *Census of Population and Housing, X05 Language spoken at home by proficiency in spoken English/language by sex*

## 4.2 Can Tasmania physically access Asian markets?

Merchandise trade accounts for around 90 per cent of Tasmania's trade in goods and services with Asia. The physical capacity to access the market, through inland transport networks, port infrastructure and shipping, is vital for success.

- Tasmania has five ports capable of international operation (Hobart, Triabunna, Bell Bay, Burnie and Devonport). However, there is no longer an international container shipping line berthing at Tasmanian ports, resulting in higher costs for exporters and reducing the competitive position of Tasmanian industry on domestic and international markets.<sup>12</sup>
- A large proportion of Tasmania's commodity exports are bulk exports which are operated on a point-to-point model due to the specialised nature of the required infrastructure for each bulk product. In some cases there may also be bulk imports of manufacturing inputs which creates opportunities for lower cost break bulk exports using backhaul capacity.
- Tasmania's container throughput at 384 000 TEU (twenty foot equivalent units) is not insignificant and to provide some context is larger than the port of Adelaide. However, the split between multiple ports results in Tasmania not achieving the same economies of scale as other Australian ports.<sup>13</sup> The consolidation of Tasmania's container freight task from four ports to two ports may improve the economies of scale at ports and for shipping, but will increase land transport costs for some shippers.
- Container trade has moved globally to a hub-and-spoke model, with Melbourne being Tasmania's local hub. The alternative of multi-port-calling networks is hampered in Tasmania by the lack of aggregated volume, shipping reform related changes to international shipping rules and channel depth (due to the increasing size of container vessels). Ultimately, commercial freight decisions by major container exporters will drive the viability of freight routes.

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<sup>12</sup> Deegan, Michael, *Tasmanian Ports and Freight Strategy Report*, Infrastructure Australia 24 May 2012  
[http://infrastructureaustralia.gov.au/publications/files/Tasmanian\\_ports\\_and\\_freight\\_strategy\\_report.pdf](http://infrastructureaustralia.gov.au/publications/files/Tasmanian_ports_and_freight_strategy_report.pdf)

Accessed 18 July 2012

<sup>13</sup> Deegan (2012)

- The loss of international container shipping represents a potential impediment to Tasmania accessing Asian markets with value-added products. A hub and spoke framework may be disadvantageous to Tasmania relative to other parts of Australia due to the multiple modes that are required to get Tasmanian containerised exports to the international container hub at Melbourne, while most other regional exporters face a single mode, road, supported by federal infrastructure. Tasmanian international exporters do not receive the benefits of freight equalisation payments and this will bias Tasmanian containerised goods output towards the Australian market rather than exports to Asia, particularly for lower value agricultural products.
- Infrastructure Australia has identified the need for better designs for main freight routes to ensure access by high productivity vehicles – such as B-triples for long hauls and super-B doubles (four TEUs) – particularly for inter-port and port-inland terminal road transport.<sup>14</sup>

#### Discussion Questions

- 4.5 How important is access to international freight to your business or work? What sort of freight is most important (bulk, container, air)?
- 4.6 What actions should the Australian and Tasmanian governments take to improve Tasmania's access to international ports, shipping or air freight?
- 4.7 Are there opportunities that may be available to you with changed freight arrangements?
- 4.8 How important is direct passenger air access to your business or work?
- 4.9 Do you think direct air access to Asia would provide additional opportunities for exports of goods or services? Which markets are most important?

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<sup>14</sup> Deegan (2012)



### 4.3 Where does Tasmania have the capacity for growth?

It is clear that the growth of Asia will create potential demand for many goods and services. Equally important is the capacity of Tasmania to supply that demand, through the provision of products that meet the needs of the market, and at a price the market can afford and is willing to pay. The following analysis briefly discusses the potential capacity for growth in sectors that will be further analysed as part of the Tasmanian White Paper process. It is not intended to be an exclusive list and the Issues Paper invites further contributions on the issues facing specific sectors or additional sectors that should be considered.

#### **Mining**

Tasmania's mineralogy offers potential for exploration, investment and expansion, subject to resource security over prospective acreage, infrastructure and supportive royalty/taxation regimes.

#### **Energy Intensive Mineral Processing**

Tasmania is unlikely to have substantial capacity to expand these sectors given the current natural constraints on energy supply. These sectors have been under substantial pressure from high exchange rates that have not been matched by rising metal prices for zinc and aluminium. Competitive energy supply, access to ore resources, competitive freight and innovation are critical to the continued success of this sector.

#### **Agriculture**

Tasmania has significant opportunities to expand production in dairy, wine, beef, fruit and vegetables. This is based on increasing output as a result of irrigation schemes and the potential availability of land following transition from the plantation forestry sector.

In most sectors, constraints exist in the processing sector, so that the potential for expansion is based on the willingness of processors to invest. Substantial investments in dairy processing will give that sectors strong opportunities to expand.

For some sectors, such as premium wine, there is a balance required between the capacity to increase output and not over-supplying markets in such a way as to reduce product premiums.

### **Aquaculture**

There are substantial market opportunities for expansion in aquaculture, however access to water is a key constraint. The industry is planning to expand production levels from 34 000 HOG (head-on gutted) tonnes to 48 000 HOG tonnes. Recently approved expansions in Macquarie Harbor will facilitate continued output growth in the sector.

### **Tourism**

The potential for the Tasmanian tourist sector to grow is strong. Previous constraints for the sector have included: accommodation development in key tourism nodes; the take-up of the on-line channel by industry for marketing and distribution lagging customer expectations; changing patterns of visitor dispersal around the State, with fewer visitors travelling to the regions; public infrastructure in key areas; and the difficulty in attracting and retaining appropriately skilled staff. Access, as always, remains a key constraint and opportunity for leisure growth for the sector.<sup>15</sup>

### **Education / Science and Research**

Tasmania has the capacity to grow these sectors with substantial investments underway in the Hobart port precinct including the 'Hobart: a world-class, liveable waterfront city' project which has received funding from Infrastructure Australia.<sup>16</sup> There are concerns on the sustainability of current employment levels in the University sector, which would indicate that the sector is demand, rather than supply constrained. The ParanVille development will provide additional residential and educational opportunities for Asian students and migrants.

### **Antarctica**

Hobart is one of five gateways to the Antarctic region. Antarctic research and services currently contributes \$150 million into the State economy and has the capacity to grow with port development and the establishment of the Institute of Marine and Antarctic Studies (IMAS). There has been increased interest in Antarctica from China, Japan and other

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<sup>15</sup> Tasmanian Economic Development Plan – Sector Strategies – Tourism

[http://www.development.tas.gov.au/economic/economic\\_development\\_plan/achieving\\_our\\_vision/sector\\_development/sector\\_strategies/tourism](http://www.development.tas.gov.au/economic/economic_development_plan/achieving_our_vision/sector_development/sector_strategies/tourism) Accessed 30 July 2012.

<sup>16</sup> Tasmanian Economic Development Plan – Sector Strategies – Antarctic Tasmania

[http://www.development.tas.gov.au/economic/economic\\_development\\_plan/achieving\\_our\\_vision/sector\\_development/sector\\_strategies/antarctic\\_tasmania](http://www.development.tas.gov.au/economic/economic_development_plan/achieving_our_vision/sector_development/sector_strategies/antarctic_tasmania) Accessed 30 July 2012.

Asian nations with the capacity to provide additional logistical and support services to the scientific missions of these countries.

### Sustainability Expertise

The burgeoning populations and economies of Asia are already placing pressure on their environment, while increasing wealth is likely to result in greater demand and appreciation for protecting environmental standards. Climate change is also influencing rainfall patterns, coast lines and driving a change to renewable energy. Tasmania has the capacity to provide scientific and engineering services in areas of climate science, renewable electricity and sustainable forestry. This may also create opportunities for two-way investment flows as occurred with the Roaring 40s wind farm developments.

### Discussion Questions

- 4.10 What other sectors should the White Paper process consider for accessing opportunities arising from the Asian Century?
- 4.11 Do you agree with the assessments on capacity for the sectors identified?
- 4.12 What are the priorities for investment in increasing capacity in the sectors?

### 4.4 What is the role of government in the Asian Century?

The role of the Australian Government and Tasmanian Government White Papers on the Asian Century is not simply about setting government priorities. It is also about raising a community debate and identifying opportunities for business and the community to benefit from the growth in Asia.

The involvement of the Tasmanian Government in opportunities arising from the Asian Century is not limited to the Department of Economic Development, Tourism and the Arts, but also encompasses the Department of Infrastructure, Energy and Resources, the Department of Primary Industries, Parks, Water and Environment, the Department of Education, the Department of Health and Human Services, the Department of Treasury and Finance and the Department of Premier and Cabinet. There are also roles for Government Business Enterprises such as TasPorts, Tasmanian Railways Pty Ltd and Hydro Tasmania. Local Government has an important role, both in the provision of services to communities and business, and the facilitation of linkages to other cities.

Furthermore, the business and community sector may be well positioned to identify and seize opportunities, particularly in the commercial sector where investment is at risk in return for the opportunity to profit.

#### Discussion Questions

- 4.13 What do you believe is the role of governments in general in facilitating opportunities arising from the Asian Century?
- 4.14 Should government or business take the lead in identifying commercial opportunities?
- 4.15 What is the role of government in facilitating infrastructure, skills and training, entry into international markets, migration, land-use, and facilitating access to services from other levels of government?

#### 4.5 Investment and the Asian Century

Investment has a significant role to play in enabling Tasmania to maximise the potential benefits in the Asian Century. Foreign investment can assist an economy to grow by providing capital for investment, access to markets and knowledge transfers that then assist other businesses in the economy.

Many of Tasmania's major exports are linked to direct foreign investment, so that the foreign investors provide not only access to capital, but also direct linkages to foreign markets. Secure access to commodities may be a motivation for foreign investment.

There has been community and political debate that investment in certain sectors, particularly agriculture, or by certain types of foreign company, for example those that are state owned, should be subject to special consideration. Community support for investment can be critical to success and providing potential investors with the confidence to initiate investment consideration.

Investment by Tasmanian businesses overseas can also bring dividends. For example investments in offshore manufacturing can allow businesses to compete on international markets, while retaining the value-added skills associated with marketing and innovation.

One of Tasmania's strengths is its lifestyle amenity. This strength can be used to attract international investment, as in the case with the multi-million dollar Paranville development on Hobart's Eastern Shore by Korean developer Paul Kim.

Continued turmoil in financial markets, and uncertainty on the future direction of growth in some Asian economies, may create both opportunities and risks for Tasmania.

### Discussion Questions

- 4.16 How important do you believe foreign investment is in supporting Tasmania's economic growth? What benefits do you see accruing to Tasmania from foreign investment?
- 4.17 How important do you believe it is for Tasmanian businesses to invest offshore to grow or maintain competitiveness? What benefits do you see accruing to Tasmania from Tasmanian businesses investing overseas?
- 4.18 Are there particular sectors where you believe foreign investment in Tasmania should be encouraged (or discouraged)?
- 4.19 Do you have confidence in the role of the Foreign Investment Review Board in assessing foreign investment in Tasmania? What other processes could improve community confidence in foreign investment?
- 4.20 What is the role of government in facilitating investment by international investors and Tasmanian business overseas? At what level of government should assistance, if any, be provided?

### 4.6 How sustainable is Asian growth?

Many Asian economies have exhibited high rates of growth for an extended period. This then raises the question of whether the growth rates are sustainable or whether there will be a correction towards rates of growth that are closer to the global norm. Corrections following long periods of high growth rates can lead to differing outcomes:

- following the collapse of the real estate bubble of the late 1980s, Japan has experienced anaemic growth that has been described as a 'lost decade';

- following the Asian financial crisis in 1997, the economies of Thailand, Malaysia and Indonesia shrank substantially before resuming growth. Growth rates have been, on average, substantially lower after the crisis; and
- China is currently attempting to engineer a soft landing to its economy, on the one hand preventing a property bubble and controlling inflation, while on the other hand shifting economic growth towards domestic consumption and less reliance on exports and infrastructure investment.

While there are still substantial opportunities for infrastructure investment across Asia, there is also a shifting pattern of economic growth in Asia, and particularly China, towards greater domestic consumption. This creates potential opportunities for Tasmania as Tasmania's exports of zinc, aluminium, wood and food are more closely associated with consumption than infrastructure investment (unlike iron ore and coking coal). A reduction in exchange rates that may follow the impact of a reduction in the rate of investment-led growth on commodity prices may also improve the competitiveness of Tasmanian exporters on overseas markets.

### Discussion Questions

- 4.21 What strategies have your organisation adopted to manage risks associated with Asian growth?
- 4.22 What opportunities does your organisation see in the next phase of Asian growth?
- 4.23 What is the role of government in facilitating risk management and the transition from infrastructure to consumption led-growth in Asian economies?

## 5 Conclusion

The Asian Century is the most transformative economic shift of power in generations. The Tasmanian White Paper will address the question of how Tasmania can best position itself to capture current and emerging economic opportunities in the Asian region. Many of Tasmania's exports and industries are already engaged with Asia. For Tasmania, the Asian Century has already begun.

This Issues Paper is the result of preliminary analysis of some of the issues, it is now important that stakeholders make further contributions to ensure that the final Tasmanian White Paper meets the needs of the community and business sectors to maximise Tasmania's opportunities arising from the Asian Century.

Future work on the Tasmanian White Paper process will involve developing a set of strategies that Tasmania can adopt to improve its ability to capture relevant economic opportunities in Asia, including identifying the respective roles of the various levels of government, industry and the education sector in Tasmania. This work will be built on responses received to this Issues Paper.

**Do you have any further comment you would like to make on the Tasmania's Place in the Asian Century White Paper process and direction?**

### 5.1 How to comment on this Issues Paper

The submission period for this Tasmania's Place in the Asian Century White Paper closes on **Friday 28 September 2012**.

Comments responding to the Issues Paper should be sent to:

Tasmania's Place in the Asian Century Issues Paper  
Policy Division  
Department of Premier and Cabinet

Email: [AsianCentury@dpac.tas.gov.au](mailto:AsianCentury@dpac.tas.gov.au)

Mail: GPO Box 123  
HOBART TAS 7001

Telephone: (03) 6232 7124

## 5.2 Appendix: Summary of Questions

### Introduction

- 1.1 Should Tasmania consider itself part of Asia?
- 1.2 Is there a case for including the Middle-East, including Iran, in an assessment of Asia opportunities as part of the Tasmanian White Paper process?
- 1.3 Should the existing developed East Asian economies be considered distinctly from China and the rest of Asia?
- 1.4 How should the west coast of North America be considered in the process? A potential market that is part of Asia, or potential competition with similar competencies and brand values to Tasmania? What about New Zealand?

### The Asian Century...what it means

- 2.1 What are the key opportunities for Tasmania from the growth in Asian economies?
- 2.2 Are Asian market opportunities for Tasmania sustainable?
- 2.3 How can Tasmania manage the risks associated with Asian economic growth?
- 2.4 Should Tasmania focus on accessing Asian opportunities broadly, through capabilities, or by targeting specific markets and export products and services?
- 2.5 How can Tasmania leverage Asian growth indirectly, through supporting Australian exports?

### Tasmania's Asian engagement

- 3.1 How well prepared is Tasmania to receive Asian tourists?
- 3.2 Are there specific Asian markets or income segments that Tasmania should target?
- 3.3 How well prepared is Tasmania to receive Asian students?
- 3.4 What actions should the Tasmanian government, community and educators take to attract Asian students and ensure they have a positive educational experience?
- 3.5 Are there specific Asian markets that Tasmania should target?
- 3.6 Should the emphasis on delivering education be in-country, online or in Tasmania?

### Can Tasmania access Asian growth?

- 4.1 How important is Asian literacy to your business or work?



- 4.2 What actions should the Tasmanian government, community and educators take to improve Tasmania's Asian literacy?
- 4.3 Could more use be made of students to improve Tasmania's Asian literacy?
- 4.4 Could more use be made of Tasmania's international migration program to improve Tasmania's Asian literacy?
- 4.5 How important is access to international freight to your business or work? What sort of freight is most important (bulk, container, air)?
- 4.6 What actions should the Australian and Tasmanian governments take to improve Tasmania's access to international ports, shipping or air freight?
- 4.7 Are there opportunities that may be available to you with changed freight arrangements?
- 4.8 How important is direct passenger air access to your business or work?
- 4.9 Do you think direct air access to Asia would provide additional opportunities for exports of goods or services? Which markets are most important?
- 4.10 What other sectors should the White Paper process consider for accessing opportunities arising from the Asian Century?
- 4.11 Do you agree with the assessments on capacity for the sectors identified?
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- 4.20 What is the role of government in facilitating investment by international investors and Tasmanian business overseas? At what level of government should assistance, if any, be provided?
- 4.21 What strategies has your organisation adopted to manage risks associated with Asian growth?
- 4.22 What opportunities does your organisation see in the next phase of Asian growth?
- 4.23 What is the role of government in facilitating risk management and the transition from infrastructure to consumption led-growth in Asian economies?

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