

Tasmania's Place in the Asian Century White Paper



Tasmanian Government | March 2013

Prepared under a collaborative partnership between the Tasmanian Government and the Australian National University's Crawford School of Public Policy

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Published March 2013
ISBN: 978 0 7246 5659 6

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Premier's Foreword

Tasmania has always looked beyond its borders for new economic opportunities.

We know we can produce some of the best goods and services in the world, but with a small population at home, the growth of our economy depends on our ability to sell those products in markets interstate and overseas.

We are positioning ourselves to take advantage of the next great wave of Asian demand.

The Australian Government's recent White Paper on Australia in the Asian Century paints a compelling picture of the opportunities and challenges presented by the rise of Asia. The Asian middle class is predicted to grow from 500 million today to 3 billion over the next 20 years. Asia will have the world's largest high-income class population within the next 20–40 years, and will be the world's largest market for luxury goods within 10 years.

To make sure we seize the opportunity, Tasmania is the only state to commission its own Asian Century White Paper, leveraging off the work done for the Australian Government by Ken Henry and the national team.

We are already a substantial exporter to the region. Tasmanian zinc, abalone, copper, wood, cherries and educational opportunities are just some of the goods and services we already supply into Asia.

Tasmania must work actively across the community over the medium to long term if we hope to build on our existing ties to these markets and benefit from the unprecedented growth in demand that we will see over the next two decades. This will be particularly challenging for a state with the fewest Asian-born or Asian-language speaking residents in Australia that is also furthest from achieving its trade potential.

Tasmania's Asian Century White Paper establishes the policy framework that will shape the Government's efforts to support the state's engagement with Asia over the next 10 years.

This Paper sets the key directions we must follow in areas such as trade, investment, education and communication with the Tasmanian community if we are to participate successfully in Asia's rise. The Paper will need to be complemented by a comprehensive set of short-, medium- and long-term actions across government, business and the community if Tasmania is to seize this incredible opportunity.

Lara Giddings MP
Premier



Professor Drysdale's Foreword

The Tasmanian Government's early initiative in commissioning its own White Paper on Tasmania's place in the Asian Century offers the State an excellent opportunity for leveraging off the national effort to position for capturing the benefits and managing the uncertainties associated with Asia's remarkable economic and political rise.

The rise of China, and more recently India, alongside Japan, Korea, the ASEAN countries and the rest of Asia has already changed the structure of the world economy and the world order. An Australian community that ignored these developments and what they mean for how we have to prepare ourselves, through improving our knowledge of, and connections with Asia, would cut itself off from some of the most important economic, social and political changes that have taken place in modern human history.

Although Tasmania's links to Asia, through its established trade, Asian-born migrants and international students, are already extensive, it has significant potential to increase the gains from deepening these links with Asia.

Tasmania brings great assets to the challenge of the Asian century. It brings a natural endowment that will support a big expansion of trade in food and natural resource products from a clean environment, both of which will be increasingly highly valued by richer and more discerning Asian consumers. It brings a created endowment in the form of its skills across the workforce and its educational, cultural and research base that can be a source of value-adding jobs and income growth, through boosting connections with Asia. There are exciting prospects for lifting Tasmania's performance on all these fronts in the Asian century. None of them, however, are likely to be realised without change in the way in which government, business, educational and other institutions, and the broader Tasmanian community engage with Asia.

In its chapters, the White Paper sets out the argument and an agenda for change. Like that of the Australian Government, this is no ordinary government White Paper. First, it is the result of a joint project of the Tasmanian Government and a team at the Crawford School of Public Policy at the ANU. More importantly, it incorporates the input that came through a process of public submissions and intensive consultations across stakeholders in the Tasmanian community.

The White Paper is thus positioned as the beginning, not the end, of the conversation on Tasmania's place in the Asian century. That conversation will be critical, with broad community support, to implementation of the changes that will ensure that Tasmania prospers and benefits widely from its place in the Asian century.

Peter Drysdale AM

Emeritus Professor of Economics
Head of the East Asian Bureau of Economic Research
and the East Asia Forum
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Executive Summary

“Asia’s rise is changing the world. This is a defining feature of the 21st century—the Asian century. These developments have profound implications for people everywhere.

Asia’s extraordinary ascent has already changed the Australian economy, society and strategic environment. The scale and pace of the change still to come mean Australia is entering a truly transformative period in our history.

Within only a few years, Asia will not only be the world’s largest producer of goods and services, it will also be the world’s largest consumer of them. It is already the most populous region in the world. In the future, it will also be home to the majority of the world’s middle class.

The Asian century is an Australian opportunity. As the global centre of gravity shifts to our region, the tyranny of distance is being replaced by the prospects of proximity. Australia is located in the right place at the right time—in the Asian region in the Asian century.”

— Australia in the Asian Century, White Paper of the Commonwealth of Australia, 2012.

The Asian century has the potential to redefine Tasmania’s long-term development trajectory through powerful new avenues for export growth to – and closer integration with – the most rapidly growing part of the global economy.

The rise of Asia offers an unprecedented chance for Tasmania to lift its economic prospects, productivity and workforce participation by increasing the scale of production in areas of strength (such as primary production, education and tourism, and high-quality goods and services) through improved connections to Asian markets. This will be achieved by strengthening Tasmania’s educational base and the capabilities of its workforce; improving Tasmania’s infrastructure; attracting Asian capital, migrants and expertise; supporting centres of research and development (R&D); and by investing in the capabilities that build effective links to growing Asian markets and centres of innovation.

Tasmania faces many challenges in the Asian century. As a state it is less well equipped to engage with Asia than other states in Australia as a result of relatively limited existing economic links and a more homogenous community. Goals of socio-economic and cultural enrichment will be difficult to achieve without increasing the awareness and recognition by the Tasmanian community of Asia, Asia’s culture and ways of doing business, and the potential opportunities that Asia and the Asian century present. In doing so, it is important to understand and acknowledge that Asia is a region of many countries that comprise diverse historical backgrounds and cultures. Tasmania’s engagement with Asia must reflect this diversity.

Currently, there is insufficient demand in the Tasmanian economy alone for businesses to create enough job opportunities, leading to lower

Executive Summary (continued)



participation rates in the labour market and fewer hours worked per employee than in much of the rest of Australia. The rise of Asia creates an opportunity to improve productivity and lift Tasmanian incomes and growth. Competition will be fierce, and there will be many new competitors in many new sectors, but the opportunities will be bigger. Realising this potential will require significant change – within both federal and state governments at all levels, and within the Tasmanian community as a whole. This change involves shifting the frame of reference in thinking and policy from how Tasmania compares with the rest of Australia to how Tasmania relates to Asia. We cannot rely on the rest of Australia to do all the heavy lifting necessary for us to exploit new social and economic opportunities. The prospects for improving Tasmania's wellbeing, as well as the risks to it, will be significantly shaped in Asia. The question is not only what Asia's growth has to offer Tasmania, but also what Tasmania can offer Asia.

The Australian Government's White Paper on Australia in the Asian Century (the Australian

White Paper) provides the context for this change. It highlights that engagement with, and making the most of, the Asian century depends importantly on what is done at home in Australia. That is where the states, territories, communities and individuals are vital in ensuring that Australia is ahead of the curve in responding to the Asian century. An Australian Government Asian Century White Paper implementation strategy is now in place to support government, business and institutional implementation agendas. It recognises that the real drivers for change will come from the wide range of long-term implementation actions that are now being developed and rolled out by government, business, educational and other institutions across the country.

This Tasmanian Government White Paper on Tasmania's Place in the Asian Century (the Tasmanian White Paper) provides a start to thinking about Tasmania's future in Asia, and lays out a comprehensive plan for leveraging the federal implementation strategy. The most important role for government will be to catalyse engagement across the community as a whole. Businesses, schools and universities must be encouraged to respond in constructive and effective ways to realise the Asian century opportunity. We are all stakeholders in success. Success will not depend merely on the actions of the Tasmanian Government or policies over which it has immediate control, although there are initiatives that the Government can take in the near term to bring about change. Importantly, success will also be determined by the ways in which the Australian Government is engaged in this transformation and how stakeholders across the Tasmanian community are mobilised to a common purpose over the medium to longer term.

This is an historic opportunity for Tasmania.

Tasmania in the Asian century

The 21st century is being called the Asian century, with good reason. Since 1980, China and India's combined share of the world economy has roughly quadrupled (Maddison 2010).

By 2030, that figure is forecast to almost double again, and these two economies could represent around 40 per cent of global output. The Asian century is here and Tasmania must position itself to face the challenges and opportunities that Asia's rise presents.

The Tasmanian White Paper builds on the strong trading ties that Tasmania has already developed with major markets, such as China, Japan and South Korea. As Asia becomes more prosperous, potential trade benefits and market opportunities will grow dramatically. There is an opportunity to learn from our own successes and what we do well, to build on the relationships that already exist and to establish new ones, and to become both a beneficiary and enabler of Asia's rise.

The Asian middle class is predicted to grow from around 500 million people in 2013 to more than three billion by 2030. Asia will also have the world's largest high-income class population within the next 20–40 years, and will be the world's largest market for luxury goods within the next 10 years. These are the future consumers of Tasmanian seafood, wines, dairy, tourism, education, and other high-quality services and products. Tasmania's challenge in the Asian century is to develop the capacity to match the right products to the right consumers, through better relationships with Asian markets and a sophisticated understanding of different market sectors in different countries in Asia.



Australia in the Asian Century White Paper

The Tasmanian White Paper complements and builds upon the Australian White Paper, which was released in October 2012.

The Australian White Paper sets out an overarching vision for Australia's role in the Asian century, articulating the development of a national economic and social agenda for managing the change and uncertainties associated with Asia's rise. It aims to provide a comprehensive strategy for national reform; a plan for building national capabilities to deepen Australian dealings with Asia; and strategies for strengthening global, bilateral and regional arrangements to ensure the opportunities and risks of the Asian century are managed effectively.

The Australian White Paper establishes a number of ambitious objectives for 2025, among them:

- raising Australia's gross domestic product (GDP) per capita to be in the world's top 10, and raising Australia's average real national income to \$73 000 per person;
- giving all Australians the opportunity to acquire the skills and education they need to participate in a strong economy and society, based on a top-five-in-the-world schooling system and 90 per cent of young Australians having a Year 12 or equivalent qualification;
- facilitating a top-10-in-the-world innovation system based on collaboration across business, the research sector and government, and developing global innovation and science hubs to help address global challenges;
- implementing a systematic national framework for infrastructure to support Australia's growing trade with, and investment in, the Asian region;
- constructing world-leading communications infrastructure, particularly the National Broadband Network (NBN), that bridges the geographic barrier to Asia and supports the rapid exchange of ideas and commercial opportunities;
- crafting sound taxation, macroeconomic and financial frameworks, and efficient regulation to reduce business costs;
- sustainably managing the environment, including reducing emissions to secure a clean energy future – with 2050 emissions to be 80 per cent below 2000 levels – and establishing Australia as a world leader in implementing sustainable food production, sustainable water use and biodiversity conservation;
- allowing every Australian student to have significant exposure to studies of Asia across the curriculum, and all schools to engage with at least one school in Asia to support the teaching of a priority Asian language that all students will have the opportunity to learn;
- making Australia's universities among the world's best for research and education, with 40 per cent of 25–34 year olds holding a bachelor degree, 10 of Australia's universities in the world's top 100 and a larger proportion of students undertaking part of their degree in Asia;
- raising Australia's vocational education and training (VET) systems to be among the world's best to build capacity in Australia and the Asian region, with three-quarters of Australia's working-age population to have an entry-level qualification, and Australia's VET institutions to have expanded their services in more Asian nations; and
- entrenching a deeper knowledge of countries in Asia and a greater capacity to integrate domestic and international issues among decision-makers in Australian businesses and institutions, including government.

Many of the practical challenges faced in responding to the opportunities of the Asian century are the responsibility of states and territories. Tasmania will have to develop practical approaches that can be put in place to exploit these opportunities. Implementing the national agenda at a local level will require active cooperation between the Australian Government and state and territory authorities in a number of areas, including:

- the transformation of educational offerings to align with evolving industry needs and opportunities in Asia;
- infrastructure investment in transport and increased Asia–Australia engagement;
- immigration and multicultural engagement (focused in Tasmania on developing Hobart as a world-class international, liveable waterfront city);
- the facilitation of international trade and inward foreign direct investment, including better synergies with Australian Government agencies; and
- coordinated diplomatic engagement with Asian countries (including communicating Hobart's globally unique position as a world-class research and logistics hub for accessing Antarctica).

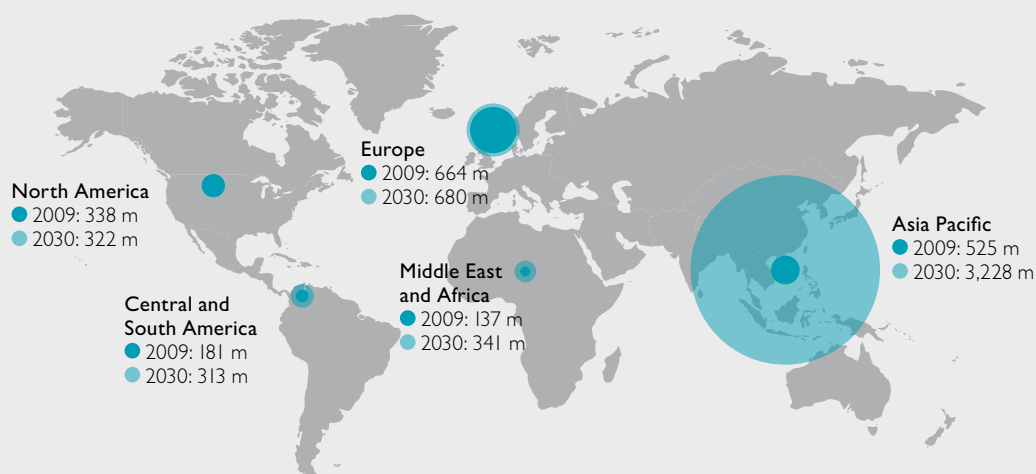
Independently, there are also issues of importance to the Tasmanian Government that the Australian White Paper does not canvass. The implementation agenda of the Australian White Paper focuses on setting directions for policy development and putting in place the implementation processes that will ensure the necessary follow-through.



The Tasmanian Government will commit to a parallel and independent implementation of its vision for Tasmania in the Asian century and the Tasmanian community's participation in the delivery of that vision.

Tasmania's opportunities in the Asian century

Figure 1: Growing consumer markets of Asia



Notes: The solid blue and opaque blue circles depict the size of the middle-class population in 2009 and 2030, respectively. Source: Kharas and Gertz (2010).

The complementarities between the Australian and Asian economies mean that Asia's rise has created many opportunities for Australia, including Tasmania.

The clearest and most immediate opportunity for the nation is the increased demand for Australia's raw materials. China is now the world's largest consumer of steel, aluminium and copper, at around 40 per cent of global consumption. While Tasmania does not have the massive deposits of iron ore or coal that other parts of Australia have, its largest export by value, zinc, has seen a doubling of its US dollar price between 2001 and 2011. However, in this case, this increase has been offset by the rise

in the Australian dollar, which in turn reflects the rising prices of other commodities and growing international confidence in the Australian economy. Iron ore prices have risen more than 10-fold in US dollar terms over the past decade and have therefore become an increasingly valuable export for Tasmania.

Tasmania's forest industry has faced significant challenges, but is also developing new markets, particularly in China, and has already developed strong links to Asian markets and investors. The Tasmanian Forests Agreement can pave the way for increased investment in regional communities and increase the recognised value of Tasmanian timber.

While demand for mining products is likely to remain strong in the medium term, new opportunities are emerging as Asian societies become increasingly affluent, and as the share of consumption in their GDP continues to grow. One notable study estimates that the middle class in Asia will account for 60 per cent of the global middle class by 2030, at 3.2 billion people (Kharas and Gertz 2010), as cited in the Australian White Paper. Even on more conservative projections, the growth of the middle class in Asia is likely to be substantial, and Asia's high-income households will become a far more important market for Tasmanian premium products than the Australian domestic market.

Increasing incomes in Asia will augment the demand for agricultural products. It has been estimated that food production in 2050 will need to be 70 per cent higher than it is today, largely due to growing demand in Asia (AWP 2012, 70). Importantly for Tasmania, as Asian diets become wealthier and westernised, demand is likely to grow for high-quality and niche food products as well, with a proportion of fish, meat and dairy. The growing number of Asian high-income households will be an important focus for Tasmania's premium products, such as seafood, cherries and wine.

Among the most important opportunities presented by Asia's growth and the expansion of its middle and upper classes will be in the provision of services, such as tourism; sport; education; the arts and creative industries; professional, banking and financial services; and science and technology.

The tourist experience Tasmania offers will be more likely to appeal to wealthier Asian travellers, young



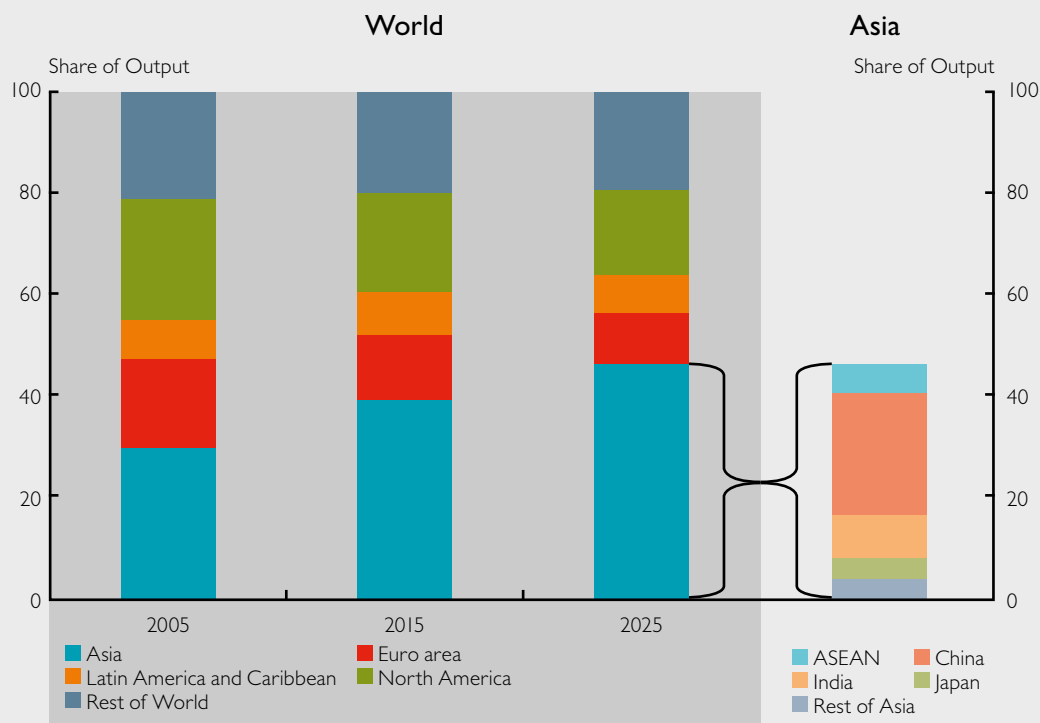
and old, who will come from increasingly large and crowded cities. Sporting links will also complement Tasmania's cultural and trade links to Asia. Through events such as the Cricket World Cup, to be held in Australia and New Zealand in 2015, Tasmania has an opportunity to promote the Tasmanian brand in India and other participating countries. Sports relationships can be used as a catalyst to support Tasmanian trade missions and as a way to build contacts throughout the region.

The rise of Asian economies

Asia is a large region geographically and is rich in its diversity. Asia is home to some of the world’s richest and poorest nations, as well as some of the most and least economically integrated subregions (Southeast/East Asia and South Asia, respectively).

Asia’s size and diversity mean that the Tasmanian Government and Tasmanian businesses cannot pursue all opportunities. Instead, the development of markets for Tasmanian products and efforts to increase recognition of the Tasmanian brand will need to be focused, by cities or regions and by products, to where market investment is most likely to deliver the highest positive returns.

Figure 2: World output shares



Notes: GDP adjusted for purchasing power parity (2011 prices). Source: AWP (2012).

Northeast Asia

The economies of Northeast Asia are the richest in the region. Japan, South Korea and Taiwan led the region in economic growth in the post-war period through free trade in manufactured goods, and were aided by demographic dividends and policies that prioritised economic development.

They enjoy some of the highest education attainment levels globally, have in common longevity and prosperity, and are close to the technological frontier. These countries are important suppliers of high technology-intensive goods and high skill-intensive services to the global economy. They are characterised by highly educated and skilled workforces.

All three countries have ageing populations that will dramatically change the structure of their economies and societies. Although these economies will not enjoy the high rates of economic growth to be found in emerging Asia, Northeast Asian economies will continue to be large and significant markets for Tasmanian tourism, education, goods and other services, as well as sources of investment. These markets are relatively well understood, although there is still much untapped potential.



China and India

China and India have a third of the world's population and will have a combined output that will most likely be larger than the Group of 7 (G7) club of rich countries by the early 2020s (AWP 2012, 53).

India and China have succeeded in lifting hundreds of millions of people out of poverty and that process is continuing. One estimate suggests that by 2020, the two countries will have a \$10 trillion consumer market.


China's coastal regions have experienced the most economic development within China. The country's major cities are also rich by world standards, with large numbers of people earning more than US\$100 a day. With an average GDP per capita of US\$5 400 in 2011 across the whole country (twice as high in major coastal cities), China is still in the middle range of what is considered a middle-income country (GDP per capita of between US\$1 000 and US\$12 000 a year) and will have scope to benefit from catching up to the income levels of advanced economies.

In less than a decade's time, by 2020, it is estimated that China will have in the order of 91 million high-income households with incomes over US\$35 000 per annum, an increase from around 24 million high-income households in 2010 (Silverstein et al 2012). It is these households which will be the target consumers for Tasmania's premium products. The quadrupling of these households over the next decade provides an opportunity for Tasmania to position aspirational products for newly affluent households, including wine, cherries, premium cheese, education and tourism. Tasmania has already started well on this path.



India is projected to grow at over 6 per cent a year on average from now until 2025. Although India is currently quite poor, with GDP per capita at around US\$1 500, it has a population of 1.2 billion, and is estimated to have had nine million high-income households in 2010. This number is projected to increase to 32 million affluent households by 2020. Middle-income households are projected to increase from 63 million in 2010 to 117 million in 2020. Unlike China, India is yet to reap the full benefits of its demographic dividend, meaning that its growth will most likely remain higher for longer.

Australia's trade with India is currently skewed, with Australian exports of coal, gold, and copper ores and concentrates dominating trade at close to 40 per cent of the total \$14.6 billion a year in Australian goods exported to India. Education is Australia's largest service export to India at \$1.4 billion a year of the total \$2 billion in services exports. While India will continue to import high volumes of raw materials from Australia, the growth of its middle and upper classes means there will be more demand for tourism, education, food and other consumption goods over time.



Cherries to China

After many years of hard work and effort from grower and government stakeholders, a new market access protocol was signed in January 2013 allowing for the shipment of Australian cherries to China.

The Tasmanian cherry season coincides with Chinese New Year celebrations, and the state's superb-quality fruit is highly prized during this period, especially as a gift to friends, family and business colleagues. The Chinese have a great cultural appreciation of fruit and the country's burgeoning middle class provides excellent opportunities for premium fruit growers to export to China, especially during the New Year gift-giving period.

Market access into China has been over a decade in the making. Cherry Growers Australia worked with the Australian Department of Agriculture, Fisheries and Forestry (DAFF) and the Chinese General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ) to gain access to this significant export market.

AQSIQ and DAFF signed the final protocol on 7 January 2013, after which DAFF and the Chinese Entry–Exit Inspection and Quarantine Bureau conducted a successful industry audit to complete the sign-off process.

The process has largely been driven by Chinese importers actively seeking Tasmania's premium product. Fruit Growers Tasmania (the industry representative group) has been attending the annual China World Fruit and Vegetable Trade Fair for many years to promote the state's exceptional-quality cherries and cultivate awareness of, and demand for, Tasmanian fruit. Tasmania has a significant advantage because of its relatively pest-free status, meaning no post-harvest treatments are necessary before exporting. Tasmania also has market access to Taiwan, South Korea, Japan and a range of non-protocol markets across Asia, Europe and other regions.

Stakeholders' efforts are now paying dividends. Ten Tasmanian growers currently meet the orchard management requirements for export this season, and over 50 growers are considering sending their fruit into the Chinese market next season. The inaugural season will enable exporters to refine the logistics of exporting, supply chain issues, packaging and presentation. It is imperative that Tasmania maintain its premium-quality cherry status, as Chile and New Zealand also have market access to China for their fruit.

*Prepared by the Department of Primary Industries, Parks, Water and Environment in consultation with Fruit Growers Tasmania.
Photo: Simon de Salis*

Tasmania's cricket links to India

Through the sporting achievements of former Australian cricket captain Ricky Ponting and others – including David Boon, George Bailey, Ben Hilfenhaus, James Faulkner and Tim Paine – Tasmania is well known in India.

Tasmanians visiting India are often asked three questions: do you know Ricky Ponting? do you know David Boon? and have you been to Blundstone Arena in Bellerive? Tasmania's name will again come to the fore as Ricky Ponting plays for the Mumbai Indians in the Indian Premier League (IPL) alongside Indian great Sachin Tendulkar and a number of other Tasmanians playing for IPL franchises.

At an administrative level, Cricket Tasmania has discussed the possibility of forming a relationship with India's Punjab Cricket Association. The initiative is supported by the Association's President, Inderjit Singh Bindra, a former secretary to the Prime Minister of India and head of the Indian public service. Mr Bindra is highly respected throughout India. There is also an opportunity to build on this relationship through team visits and events that feature cricket players and personalities, which could also be used as a catalyst to support trade missions and promotions.

Cricket is undoubtedly India's most popular sport and provides a unique opportunity to establish business links and contacts. It is a forum in which to promote Tasmania, and Tasmanian business and industry in particular, to a vast and expanding Indian economy. The benefits for Tasmania could be substantial and they could extend far beyond the cricket field into education, trade, cultural exchange and immigration.

*Prepared by Tony Harrison, Cricket Australia.
Photo: manzrussali / Shutterstock.com*



Southeast Asia

Southeast Asia, while diverse, maintains strong and institutionalised economic and political cooperation through the Association of Southeast Asian Nations (ASEAN) 10-country grouping.

The grouping includes Singapore, a rich city-state; Myanmar, which has only just started to open up to the rest of the world; Indonesia, which is the world's largest Muslim state and a growing economic powerhouse; and Vietnam, which is one of the most dynamic economies in Asia.

Indonesia is the largest country in Southeast Asia, and the closest to Australia, making it our most important Asian neighbour. Trade and economic links between Australia and Indonesia are relatively weak given the latter's size and proximity to Australia. Indonesia currently ranks as Australia's 12th-largest trading partner, behind other Southeast Asian neighbours Singapore, Thailand and Malaysia. Indonesian markets will present a growing opportunity that Tasmania should target carefully.

Singapore is the highest-income country within Southeast Asia. Malaysia is already an important source of students for Tasmania. Thailand and Malaysia are Australia's 9th- and 10th-largest trading partners. Both countries are facing the challenge of avoiding the middle-income trap, whereby growth slows down once a country achieves middle-income status, leaving it unable to reach higher-income status. If these countries succeed in graduating to the high-income bracket of over US\$15 000 GDP per capita, their markets will be larger and they will



Photo: Australian Wooden Boat Festival

demand higher-quality produce, but will also move towards higher-value production, in competition or collaboration with developed economies like Australia.

The region's diversity is a strength; it recommends against one-size-fits-all strategies for engaging Southeast Asia, and Asia more broadly.

Opportunities from older Asia

Japan, Taiwan, South Korea and Singapore all have increasingly large populations aged over 65 years. The working-age population of each has either peaked or is close to peaking.

They are high-income societies that will face major challenges from increasing dependency ratios (the ratio of the non-working age population to the working-age population). The elderly will be larger in number relative to the working-age population, with people continuing to live longer and fertility rates continuing to be below replacement. This will require a major restructuring of their economies. Ageing societies do not mean less demand, but a shift in products demanded. While many of these economies will face fiscal pressures and rising healthcare costs, they will remain rich countries. There will be much higher expenditure on healthcare services, luxury goods, high-quality tourism and technology that assists in aged care.

China is also ageing rapidly, with one of the lowest fertility rates in the world at around 1.4 children per woman. The country experienced a demographic dividend in the 1990s and 2000s that has now run its course; the working-age population in China (between the ages of 15 and 59) has been in decline since 2010. Unlike Northeast Asia, China will be old before it is rich. The propensity to spend is much less among today's elderly Chinese, but that is expected to change. Savings by the elderly will likely fall and consumption is expected to rise over time. This will create major new markets for services, new technology and consumer goods for the elderly.

Opportunities from younger Asia

The working-age populations of India, Malaysia, the Philippines and Indonesia, as well as the rest of South Asia, have yet to peak. The opportunities will be many in such dynamic economies.

These countries will most likely experience high rates of growth while enjoying their demographic dividend. With a growing and relatively younger population, urbanisation will be a major driver of demand in the region. These countries will also increasingly be suppliers of innovation to the global economy. They are already becoming sources of know-how, technology and innovation for Australia and Tasmania, alongside established sources in North America and Europe.

The most obvious market for relatively younger populations in Asia is education. India, Malaysia, the Philippines and Indonesia share a common challenge of avoiding the middle-income trap. Moving up the technological and productivity ladder for these countries requires major institutional transformations, as well as substantial investments in infrastructure and education.



Value chains

Trade and investment in East Asian manufacturing is now predominantly organised around supply or value chains.

Technological advances in transportation and communications, free trade, and an open global system underpinned by the World Trade Organization (WTO) have allowed vertical and horizontal integration in international production, and Asia has led the way because of its open trade and investment environment. Value-adding at different stages of production and the production of parts and components, especially in manufacturing, is carried out in different locations around East Asia.

This process has allowed for specialisation along the value chain where high value-add, innovative and high-skilled inputs are generally made in countries with higher skill and technology endowments, while labour-intensive, low-wage work is done in countries with lower wage costs and lower rates of skilled workers. Around those two extremes, production is located where it will be most efficient. The great diversity within Asia is a major factor that makes these value chains so effective and profitable.

Producing or adding value at each stage of production where it is the cheapest has allowed a number of less developed countries to join production networks, attract investment and find new opportunities within supply chains. It has allowed small and medium enterprises (SMEs) in middle-income and advanced economies to specialise in producing parts, components, products or services, and to play a central role in global supply chains. Engaging with transnational value chains is a critical opportunity and challenge for Tasmania, and especially in the fields of food production, manufacturing and R&D.



Major Asian retailers have succeeded in supplying food, services and goods to Chinese and Southeast Asian markets, as well as global markets, with the creation or utilisation of supply chains. Late market entrants and SMEs can find many opportunities by linking in to these major suppliers. Investment from, and partnerships with, major Asian multinationals is a cost-effective way to become part of the Asian production and supply networks.

The challenge for Tasmania in the Asian century is to integrate the Tasmanian economy into international value chains. Successful integration will allow Tasmania to support a higher standard of living based on the state's natural endowments, human capital and lifestyle amenities.

Some key challenges

Tasmania is less well prepared than other states to take advantage of the rise of Asia. Tasmania has the lowest number of Asian-language speaking or Asian-born residents of any state or territory.

At 45.4 per cent of its potential, Tasmania is the furthest from reaching its trade potential of all the Australian states, below the Australian average of 51.7 per cent. This will require Tasmania to work harder to boost its capacity for Asian engagement by:

- building business capabilities through education, developing networks in key Asian markets through trade missions, and leveraging the experience and networks of businesses already engaged with Asia, including Tasmanian Government Business Enterprises;
- building the capacity of young Tasmanians to engage with Asia through the education system, including language skills and cultural awareness, and building personal connections and experience by encouraging Asian students to come to our schools, colleges and universities; and
- building recognition of Asia and the potential contribution of Asian investment, migration and students in the wider community, and encouraging greater social engagement with the Asian century.

A failure to face the challenges presented by the Asian century will be a missed opportunity. It will also likely lead to a relative decline in standards of living in Tasmania.



Productivity challenge

The Australian White Paper sets a clear objective to develop a productive and resilient economy with Australia's GDP per person to be in the world's top 10 by 2025, up from 13th in 2011.

Achieving this objective requires an improvement in Australia's productivity. For Tasmania, meeting the challenges presented by the Asian century is fundamentally an opportunity to create jobs and increase Tasmanian household incomes.

Data on gross state product (GSP) published by the Australian Bureau of Statistics (ABS) for 2011–12 show that Tasmania's GSP per capita, at \$47 686, is 25 per cent, or \$16 700, lower than the national average. A disaggregation of Tasmania's GSP per capita over the past five years shows what effect raising components to average Australian levels would have had, on average, on Tasmania's GSP per capita:

- increasing value-added per employee in the Tasmanian mining sector: \$3 300;
- increasing workforce participation on an age-adjusted basis: \$1 300;
- increasing hours worked per employee: \$2 500;
- altering the sectoral composition of the economy: \$1 200; and
- rejuvenating the demographic structure: \$2 000.

Improving all these components simultaneously would lead to greater improvements than can be achieved by improving each separately.

Tasmania's lower GSP per capita is driven by a range of factors, but the Tasmanian Government has limited capacity to influence many of these. Governments can help improve productivity via

three channels. Firstly, they can provide incentives for firms to innovate and expand by avoiding the use of subsidies and other distortions not justified by the existence of market failures (the term used to refer to shortcomings in the effectiveness of markets in allocating resources). Secondly, they can develop the capabilities of firms to innovate by lifting investment in physical and human capital, including physical infrastructure, and by boosting the workforce's capabilities, which in part relies on the performance of the education sector. Finally, they can make sure that regulation is not onerous and that it gives firms the flexibility to take advantage of a rapidly changing economy.

An effective productivity agenda for Tasmania needs to focus on all three channels. Increased productivity, combined with increased demand from Asia for Tasmanian goods, will in turn improve workforce participation and hours worked, further increasing Tasmanian standards of living.

The Asian century provides Tasmania with the opportunity to reorient its economy towards more-productive sectors, such as science and research; increase workforce participation by creating job opportunities in regional areas by leveraging increased demand from Asia; increase the diversity of Tasmania's community through skilled migration; and raise productivity through innovation, investment in infrastructure and education. All of these opportunities will be challenging to grasp.

Demographic challenge

Tasmania's small population poses certain specific challenges to the state's participation in the Asian century.

With a small population comes smaller-scale economic activity, implying higher average costs and a lower density of activity, and making investments in physical capital and infrastructure potentially more costly. Private investment has to focus on high-value activity, and more efficient infrastructure investment is particularly important to competitiveness.

Tasmania's demographic distribution also has important consequences for the state's fiscal sustainability. An older population places an increased burden on Tasmania's health and hospital services, where cost pressures continue to rise faster than in the economy as a whole. A proportionally smaller 20–34 age cohort will, among other things: create a skilled-worker shortage for some industries; reduce the state's birth rate; reduce housing demand, property transactions and conveyance revenue to the government; and reduce demand for services, particularly those more highly utilised by younger adults.

Tasmania has 4.8 per cent less people in the 20–45 age cohort, and 4.8 per cent more people in the 50-plus age cohort, than the Australian average. Tasmania, at 2 per cent, also has the lowest proportion of Asian-born persons of any state or territory. Targeted skilled and business migration can provide an important boost to Tasmania's economy, Asian connectivity and entrepreneurship in the Asian century. Making migrants feel welcome and at home is key to success. To be a hub for skilled migration, Hobart will need to be an international and highly liveable city.



Strategic directions

Tasmania's outlook in the Asian century

To maximise opportunities in the Asian century, Tasmania needs to reorient itself towards Asian markets, leveraging Australia's wider connectivity with Asia wherever possible, but being prepared to develop its own special connections where necessary.

Many of Tasmania's largest businesses compete globally, and will only stay in Tasmania if they remain globally competitive. Tasmania's largest exports – zinc, aluminium, iron ore and copper ore – fit into this category. However, based on submissions and stakeholder feedback to the Tasmanian White Paper process, Asia is not a high priority for many Tasmanian businesses and only a small share of Tasmania's exports to Asia are currently based on Tasmania's global brand. Increasing brand-based Tasmanian exports to Asia will require the development of substantial new relationships in the Asian region. It will require an investment in marketing that must be led by the private sector, both in Tasmania and from the region. It will need acceptance of, and openness to, investment from Asia and the development of partnerships with Asian firms.

Tasmania's engagement with Asian markets must focus on productivity and customer value. Tasmania will need a high level of productivity to compete as a destination for international investment. A high level of productivity is also required to provide Tasmanian businesses with the profitability to invest in Asian markets and to deliver products at competitive prices.



Education

An educated and skilled workforce is a key capability, along with properly targeted infrastructure, in raising productivity.

A better-educated workforce allows for the expansion of high-productivity sectors, as well as more innovation through invention and the ability to adapt new technologies in productivity-increasing ways. The Australian Government has recognised the importance of education to improving national productivity, and has set targets for schools and higher education in the Australian White Paper.

Tasmania can set similar targets in education to take advantage of the Asian century and raise its productivity accordingly. These targets will be all the more important and challenging for the fact that Tasmania's average educational outcomes are lower than Australia's average educational outcomes. The Years 10 to 12 apparent retention rate in Tasmanian government schools in 2011 was 4.6 percentage points lower than the national figure, while the rate for Tasmanian non-government schools was 17.6 percentage points below the national figure. According to the ABS in 2012, Tasmania's proportion of the population aged 15–64 years old with a non-school qualification was also 3.9 percentage points below the national average.

The Tasmanian Government, through the Department of Education, is implementing a range of programs to improve educational outcomes in Tasmania, including the Raising the Bar program, improving instructional leadership in schools and improving the resources available to schools through amalgamations. The Department of Education is also working with the University of Tasmania to

improve the literacy and numeracy skills of high school students, targeting the transition from primary to high school.

Strategies to improve Year 12 retention, consistent with the goals established in the Australian White Paper, are under development, including a review of Year 11 and 12 education in regional schools.

While the education focus of the Tasmanian Government is likely to remain on fundamental literacy, numeracy and skills, proposed changes to the Australian Curriculum as part of the Australian White Paper may provide a pathway to boost Asia literacy, including familiarity with Asian history and customs, and exposure to Asian languages.

The Department of Education will develop an Asia Strategy that will address the opportunities arising from the Tasmanian and Australian White Papers. This includes enhancing opportunities for international students in the school system.

Vocational education and training

Looking forward to the Asian century, the skills focus of the Tasmanian Government is on ensuring that the Tasmanian VET system is providing Tasmanians with the skills necessary to help businesses expand and seize opportunities. In partnership with industry associations and leading employers, the Department of Education, through Skills Tasmania, will map out the state's future workforce needs in key Asia-focused industries, such as agriculture, aquaculture and seafood processing, mining, tourism, and hospitality.



Innovative language teaching in Tasmanian schools

The 'Land to Sea: Unity in Diversity' project has enabled teachers and students from four Hobart schools and an Indonesian school to collaboratively learn how to create interpretative trails in Indonesian and English to celebrate each school's unique and diverse local environment.

Sustainability teacher Jenny Dudgeon and Indonesian teacher Ingrid Colman used a successful Becoming Asia Literate Grant to bring together Taroona High School, Mount Nelson Primary School, Sandy Bay Infant School and the lead school, Lansdowne Crescent Primary. The project aimed to help students become more Asia literate and encouraged a connection with the environment, with a view to sustainability. The project dovetailed with Lansdowne Primary's involvement in the BRIDGE program, through which it has a sister school in Surabaya, Indonesia, called Kaliasin SDNI.

Each of the four schools in Hobart developed one or two bilingual trails in its local area, which were also supported by apps and a website. Hobart City Council supported the project and installed bollards and quick response codes along the trails. Taroona High School information and communications technology students wrote the computer programs for the website and

the apps, and students from all schools made site visits. Many experts visited the schools to share information about the history and wildlife of the local area. These visitors were interviewed by students, sometimes in Indonesian as well as English, and the interviews can be heard on the app and viewed on the accompanying website. Lansdowne Primary hosted a 'Connecting with the Curriculum' event that highlighted the students' work and their deepening understanding of the environment and sustainability. Students used Skype to share their sustainability work with their Indonesian sister school, Kaliasin SDNI.

Involvement in the 'Land to Sea: Unity in Diversity' project offered Tasmanian students an authentic opportunity to use and extend their Indonesian language skills through frequent contact with their sister school. Students have become far more aware of the environment around them and the importance of biodiversity, while also developing their Asia literacy. Lansdowne Primary students spread this knowledge through their participation in the Kids Teaching Kids conference in Melbourne in October 2012, where they conducted a number of workshops. The conference was a great way to share information about the differences and similarities between Indonesia and Australia.

Prepared by the University of Tasmania.

Infrastructure

Tasmanian freight producers are linked to the mainland and the rest of the world by shipping services. Approximately 99 per cent of the tonnage of Tasmania's interstate and international exports moves by sea.

Both containerised goods and bulk cargoes are moved to and from Tasmanian ports, the majority through one of the three northern ports: at Burnie, Devonport and Bell Bay. Encouraging the development of lower-cost gateways for the movement of people and goods to and from Asia is critical to realising Asian opportunities for Tasmania.

The international shipping market is changing dramatically. To reduce costs, shipping lines are now using larger freight vessels for intercontinental container shipping and reducing the number of port stops per journey. It is increasingly common for shipping lines to operate on a 'hub and spoke' basis, with smaller ports connected to larger international ports for transshipment. Most Tasmanian exporters now use the Port of Melbourne for transshipment of containerised goods bound for ports in Asia and beyond. Bulk goods continue to charter direct shipping to Asian markets.

In February 2013, Bell Bay Aluminium announced its own contract with Swire Shipping for monthly freight services between Bell Bay and Asia from late March 2013. The service will carry about half of Bell Bay Aluminium's Asia-bound containers, with some spare capacity for other Tasmanian exporters.



In Tasmania, there is an imperative to move freight efficiently and effectively from geographically dispersed producers to centrally located processors and on to markets. In consultation with Infrastructure Australia and the Australian Government, and informed by the expertise of the Freight Logistics Coordination Team, the Tasmanian Government will develop a long-term freight strategy for Tasmania, supported by a principal freight network plan. The plan will cover the major freight corridor between Hobart and the northern ports, together with key intraregional linkages. It will cover all modes of transportation, including rail and road. The overall aim of the plan is to support an integrated and efficient freight network between Tasmania's key export ports, freight-generating areas and distribution centres, and to deliver long-term productivity improvements.

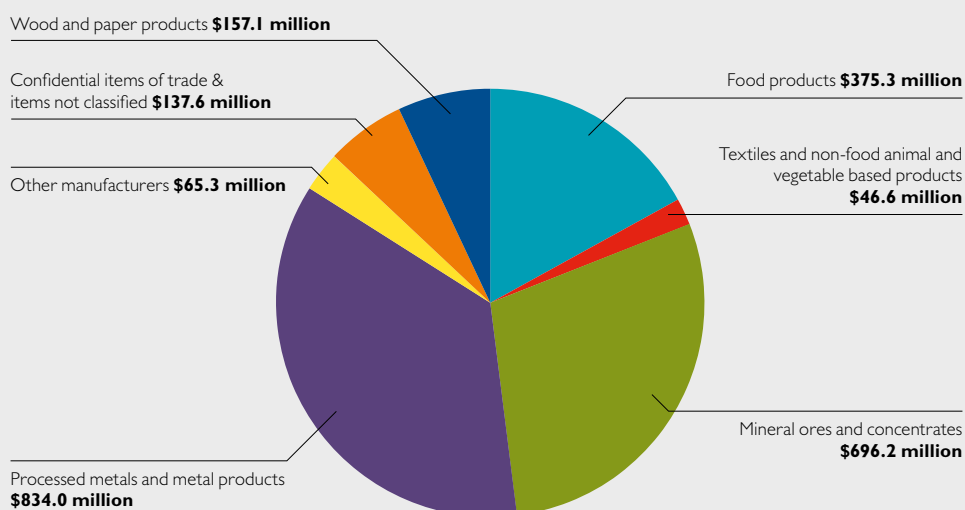
Key sectors

While the Tasmanian Government will continue to invest in areas such as education and infrastructure to support Asian engagement, Tasmanian industry must take the lead in establishing new business relationships and expanding production to meet the opportunities of the Asian century.

The primary role of government is to support industry and to lead in key areas, such as:

- engaging with government agencies and officials in target markets to facilitate trade, recognising that many overseas authorities prefer to deal at a government-to-government level;
- promoting Tasmania's capability, quality of produce and our relative pest- and disease-free status;
- working with Australian Government departments to secure market access and the development of trade agreements to underpin growth in trade; and
- assisting industry in identifying new customers by referral to Austrade offices, and promoting a better understanding of the culture and preferences of Asian people.

Figure 3: Tasmania's 2011–12 merchandise exports to Northeast Asia, ASEAN and India



Source: Tasmania's international exports 2011–12, DEDTA.

Food production

Tasmania has a strong agricultural tradition and the sector is highly diversified, underpinned by excellent growing conditions, affordable land, relative freedom from disease and pests, abundant water resources, and a strong R&D capability.

The Tasmanian Government has a vision for the state to increase its food and agricultural production substantially and to become a major supplier of the nation's premium food products. A key focus of the Tasmanian White Paper is how this vision can be connected to, and benefit from, the rise of Asia's middle class, and how to build increased awareness of food safety and food security in Asia that will reinforce Tasmania's competitiveness and awareness of the Tasmanian brand.

Tasmania has a diverse agricultural sector, comprising dairy, fruit and vegetables, poppies, beef, lamb, and wool. Agro-forestry is another important contributor to farm incomes, with both plantation and sustainable private native forests. Tasmania's aquaculture industry is also poised to grow strongly.

In 2011–12, Tasmania's food exports to Northeast Asia, ASEAN and India were worth \$375 million out of \$520 million in total food exports. Asia is the most important region for Tasmania's international food exports, with more than 72 per cent headed there. Tasmania's food sector has a number of important opportunities in the Asian century, including:



- leveraging Tasmania's investment in irrigation to move to more-valuable, higher-yielding crops;
- capitalising on growth in the dairy processing sector, which is now Tasmania's largest agricultural sector;
- developing relationships with Asian and other international supermarket chains to improve access to Asian markets, modelled on the Tasmania Feedlot approach; and
- expanding premium-value niche markets by supporting and learning from the success of Tasmanian-branded cherries, wine and cheese.

Tasmania Feedlot

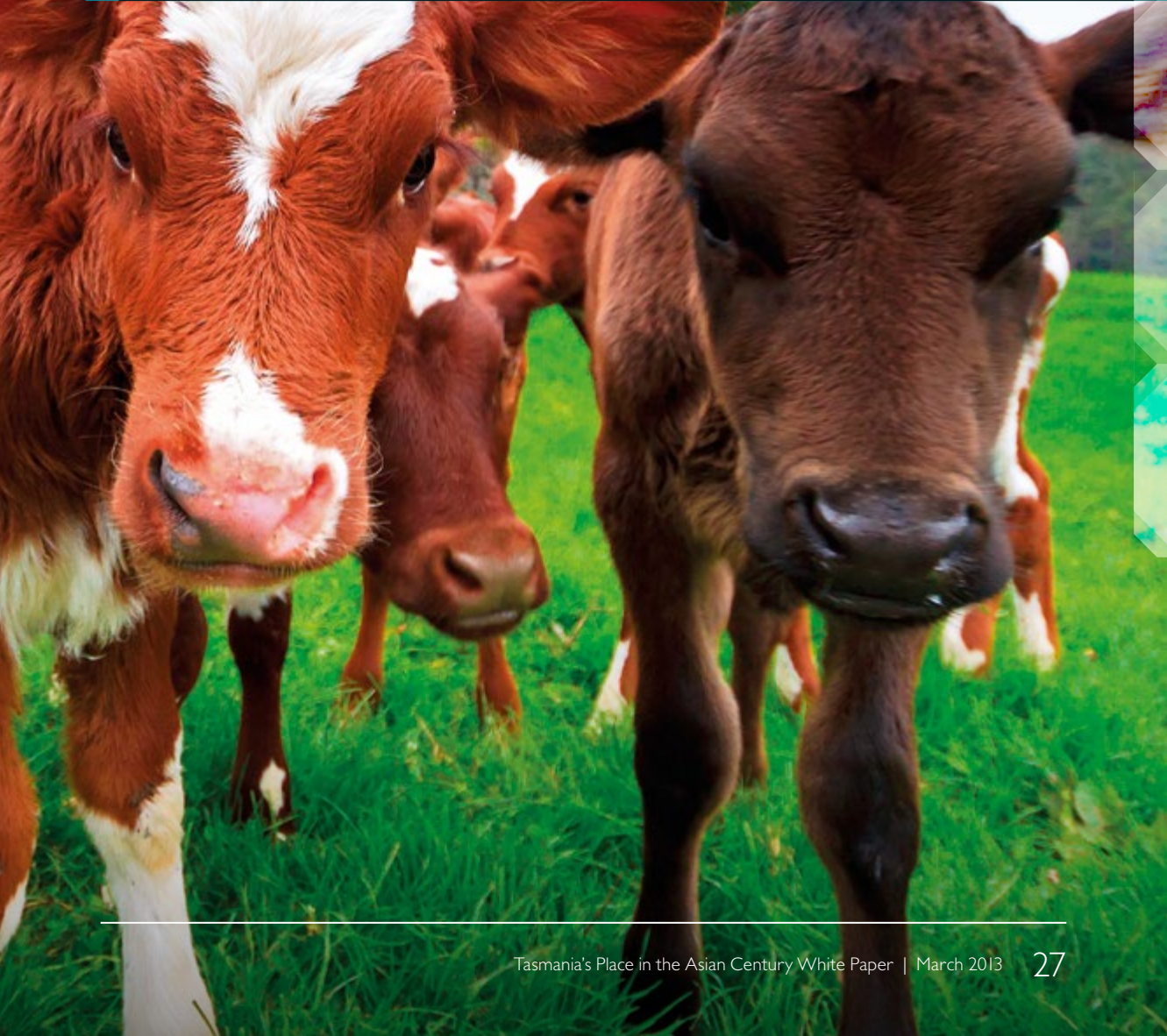
Tasmania Feedlot is a wholly owned subsidiary of the Japanese AEON group and operates Tasmania's largest beef cattle feedlot at Powranna on the Midlands Highway south of Launceston. The cattle feedlot currently feeds about 12 500 head of cattle, the majority of which are fed for the Japanese long-term, grain-fed beef market.

AEON has over 15 000 outlets in 12 countries across Asia and around 6 000 convenience store and general retail outlets. It has the highest retail turnover in Japan.

AEON has a strong focus on environmental accountability and branding, and emphasises the quality and environmental characteristics of its products in promotion and at point of sale.

"Overseas markets are praising our Tasmanian beef as a high quality, world class product. Japanese consumers are recognising the Tasmanian difference – the state offers something better than the rest of Australia with its wonderful pristine environment. We also have a true competitive advantage with Tasmania's guarantee of no hormone growth promotants (HGP's) and that all feed is GM free"

— Andrew Thompson, Managing Director, Tasmania Feedlot.



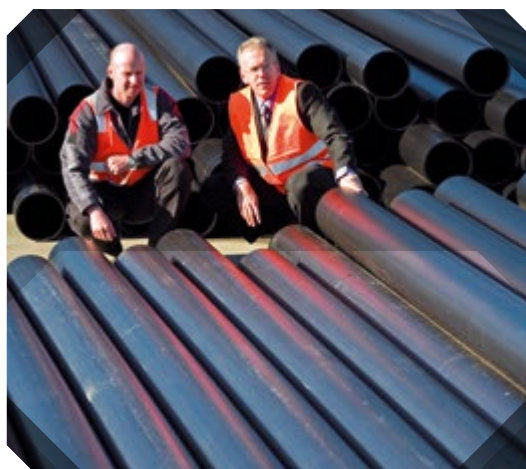
Mining and minerals processing

Tasmania is rich in minerals, and the state exports ores and concentrates of iron, copper, lead, zinc, tin, high-grade silica and tungsten.

The mining and minerals processing sector comprises the exploration for, and extraction of, metallic and non-metallic ores, and the refining and smelting of mineral products. Including energy-intensive metals, mining and minerals processing is the dominant sector for Tasmania's exports to Asia. In 2011–12, Tasmania's international exports of mineral ores were worth \$754 million, with 92 per cent, or \$696 million, of mineral ore and concentrate exports headed to Northeast Asia, ASEAN and India.

Tasmania's exports of minerals and energy-intensive metals have grown off the back of the state's resource endowment and comparative advantage in the production of these products. Tasmania's geological history is complex and unique and has resulted in a diversified commodity base. The diversity of minerals produced has supported the resilience of the industry against the cyclical and volatile nature of commodity prices. Mining has historically provided a stimulus for the establishment of towns and communities and is important to Tasmania's regional economic development and sustainability.

The economic emergence of India and China has driven their interest in investing in the ownership of Tasmanian mines and in off-take agreements



for products, as well as the strong financial performance of the sector more generally. These two economies have provided strong markets for Tasmanian communities and helped buffer them against the impact of the global financial crisis. While the broad, global economic factors that shape the industry make it difficult to forecast the likely future of the Tasmanian mining sector, resource demand from export markets – particularly China – is likely to continue into the medium term, providing a solid base for the sector's growth.

Ensuring that access arrangements for the Tasmanian minerals estate are clear and transparent is critical to supporting long-term investment in exploration and future mine development. Mineral access is also important to parts of Tasmania's manufacturing and minerals processing sectors.

Forestry

The Tasmanian forestry sector is an integrated industry that encompasses both native forest and plantation resources (both softwood and hardwood); the production of logs, woodchips, hardwood and softwood sawn timber; speciality timbers; pulp and paper production; veneer; fuel wood; and other wood products.

In 2011–12, Tasmania's international exports of wood and paper products were worth \$162.8 million, with 96.5 per cent destined for Northeast Asia, ASEAN or India.

The challenge for Tasmania's forestry sector is similar to the challenge faced by manufacturing: growth prospects for both are largely conditional on businesses identifying those parts of the value chain where Tasmanian suppliers have an advantage. The 2012 Tasmanian Forests Agreement has been designed to support forest workers, contractors and communities as a response to the changes that are occurring in the forest industry due to market forces and evolving product demands.

In addition, Tasmania has highly regarded experience and human resources in forest and fire management, resource inventory and planning, forest certification, and forest practices regulation that could assist Asian countries to improve the management and regulation of their forests.





Forestry Tasmania and China

Forestry Tasmania is responsible for the management of 1.5 million hectares of state forest land (39 per cent of Tasmania's forests). About half of the forests managed by Forestry Tasmania are available for sustainable timber production. A network of forestry reserves also protects values such as flora, fauna, soil, water and cultural heritage.

In seeking new value-adding markets for the Tasmanian forest industry, Forestry Tasmania recognised that overall demand for wood products would be expected to increase over the next 10–15 years, led by Chinese demand. It then conducted a series of marketing studies that demonstrated significant opportunities in Chinese markets for engineered wood flooring used in shipping containers – Forestry Tasmania's hardwood veneers with their exceptional strength and durability would be ideal. The Chinese market also diversified Forestry

Tasmania's customer and product base, helping make the forest industry more resilient to market cycles.

Forestry Tasmania also established a new brand in China, *Eu Jai Li* (translation: strong and beautiful), with the sea dragon as its logo. The objective is to promote harvested Tasmanian peeler logs used for the production of rotary peeled veneer.

The company recruited staff with technical and marketing expertise in the region, bringing four Chinese nationals into its Export Team.

The *Eu Jai Li* brand is now well respected in China, and supports a robust trading relationship between Tasmania and China. Over the last few years, log exports from Tasmania to China have grown steadily. Forestry Tasmania now intends to strengthen its relationship with the Chinese market through additional certification under the Forest Stewardship scheme, while exploring further value-adding opportunities for lower-grade logs.

Prepared by Forestry Tasmania.

Manufacturing

A significant global transformation is occurring across the manufacturing sector. This will have a profound effect on Tasmania and its place in the Asian century.

Manufacturing, broadly defined, is a major driver of exports to Asia through processed metals, wood products and food. Tasmania is home to an advanced manufacturing sector that competes in the global marketplace, and that includes icons such as Caterpillar, Incat and Blundstone.

Tasmania's challenge in the Asian century is to understand how the manufacturing sector is evolving globally and to act on the trends shaping the competitive environment internationally. For advanced manufacturing, future potential is built on Tasmania's created endowments of a highly skilled workforce, a competitive infrastructure and strong business environment, and the ingenuity and innovation of entrepreneurs that want to see Tasmanian manufacturing succeed.

Continued wage growth in China and other Asian nations has increased Tasmania's relative wage competitiveness. While the value of the Australian dollar has risen significantly, its rise against the Chinese yuan has not been so great, and will not be in the future. It is unlikely that labour-intensive manufacturing will return to Tasmania, but high-value production that has low to moderate labour use will be able to compete in the Asian century.

Globally, the trend is for manufacturing in Asia to be integrated into international production systems that allow a place for the involvement of players all around the world. Tasmania's manufacturing sector must continue to embrace long-term continuous improvement and upgrading in the Asian century. It must take advantage of international value chains



to maintain competitiveness, embrace innovative technologies, and adopt a responsive attitude towards customer demands and partnerships in the region. Innovation and entrepreneurship is critical to the future of Tasmania's manufacturing sector.

The Tasmanian Government will work towards fostering greater collaboration between industry, government and research organisations as part of the implementation of the Reaching Our Potential: Developing Tasmania's Science Research Capability – Action Plan and through the establishment of linkages between the manufacturing and research sectors of the Tasmanian economy.

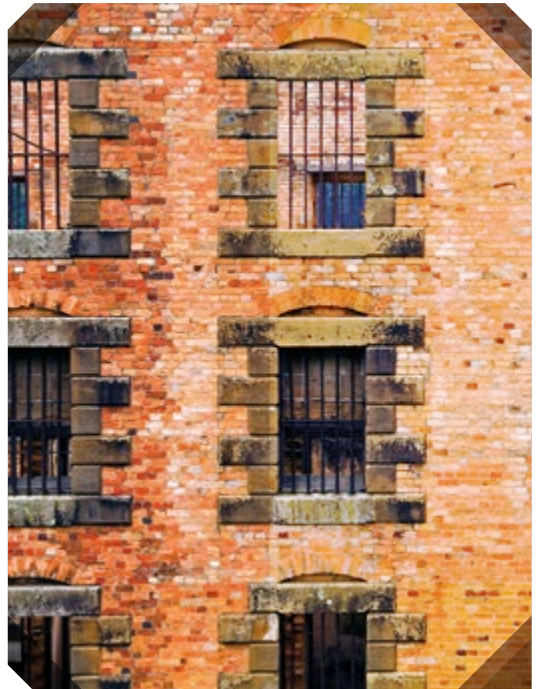
Tourism

Tourism is a major industry for Tasmania, supporting 17 000 jobs or 7.2 per cent of total employment in Tasmania and making an important contribution to regional employment.

International tourism accounts for an estimated 14 per cent of tourism's direct contribution to Tasmania, which is the lowest proportional contribution by international visitors to any state. This is probably a result of Tasmania's lack of direct international air-links and regional isolation, and the way in which Tasmania is currently positioned in the high-growth international markets.

One of the key challenges for Tasmanian tourism is identifying the best strategy to maximise returns on the limited resources it has available to influence these international markets. Tasmania's product offering and focus on competitive advantage will also remain critical.

The promotion of Tasmania as a visitor destination will be a major driver in Tasmania's engagement in Asia. From an international perspective, traditional markets such as Europe, the United States and Japan are declining sources of both arrivals and expenditure. This is a trend mirrored at the national level. At the same time, emerging Asian markets (Malaysia, China and Singapore) are all growing rapidly as sources of annual arrivals and expenditure. While starting from a low base, Tasmania's rate of growth in this area outstrips national growth rates, suggesting that Tasmania should be able to capture a higher market share.

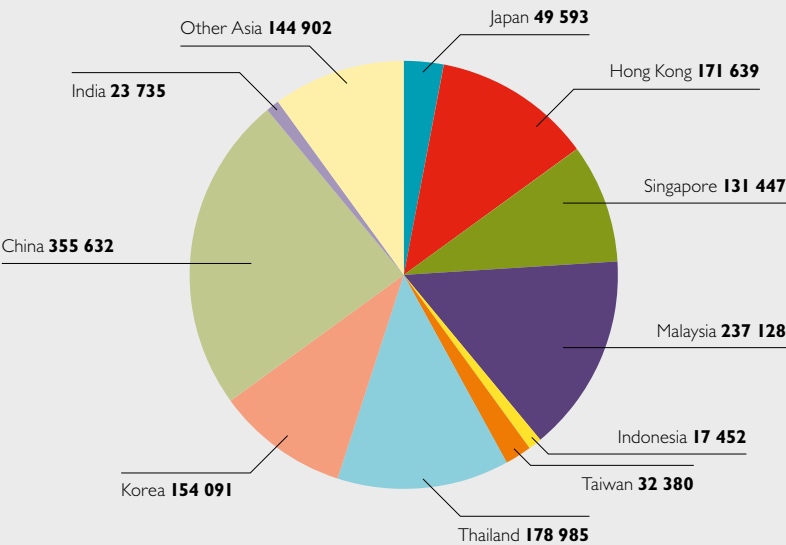


Visitors from China contributed an estimated \$3.8 billion of total visitor expenditure in Australia in 2011 (including air travel). Tourism Australia's Tourism 2020 Strategy estimates the China market has the potential to grow to between \$7.4 and \$9.0 billion in total visitor expenditure by 2020. To put this in context, the figures are equivalent to the forecast combined visitor spend of all visitors to Australia from the United States, United Kingdom and Japan in 2020. If Tasmania were to hold its current market share of all Chinese visitors to Australia, it could realistically expect to attract around 25 000 mainland Chinese visitors to Tasmania each year by the end of this decade, and an additional 13 000 visitors from Hong Kong. Together, this would position China/Hong Kong as Tasmania's largest international market.

Currently, Tasmania's tourism offering is not immediately compatible with the large groups of Chinese travellers that visit Australia's mainland gateways. As a whole, our tourism industry and infrastructure is more suited to smaller groups, either travelling independently or with the support of local specialised tour operators. More work is needed for Tasmania to grow its market share by directly catering to the new 'large group' category of traveller through value-added, experience-based tours that showcase the state's distinctive products, attributes and attractions.

Industry experts believe that a significant proportion of the Asian tourists currently visiting Tasmania are students and their families. Tourism Industry Council Tasmania supports the University of Tasmania's aspiration to double its number of international student enrolments to 8 000 by 2018. The initiative may bring significant benefit for the entire tourism industry, including some obvious and cost-effective promotional channels to increase tourism to Tasmania.

Figure 4: Asian visitor nights in Tasmania, year ending September 2012



Source: International Visitor Survey September 2012, Table 12.

Total Asian Visitor Nights (year to September 2012): 1.5 million



The MONA China Project

Immersing its audience in a world of sensory overload, with contemporary art, thought, music, food, and hand-crafted wine and beer, the Museum of Old and New Art (MONA) breaks the rules of a normal contemporary art space.

It unashamedly shocks, offends, challenges, informs and entertains, and provokes debate.

MONA's unique position and attributes make it undoubtedly Australia's leading contemporary art brand, and the museum has captured the public imagination. MONA is arguably the single most significant art project in Australia's recent history.

Hobart was recently ranked seventh in Lonely Planet's Top 10 Cities for 2013, described as "a historic city reinventing itself", shaking off its "sleepy reputation". This is due in no small measure to MONA.

No other Australian city scores a mention.

Articles on MONA are now starting to appear in major Chinese publications and Chinese tourists are following. A delegation of Chinese/Hong Kong journalists representing publications with a combined circulation of four million people arrived at MONA on 1 December 2012, though marketing to China had hardly begun.

MONA presents a unique opportunity through which a significant cultural relationship with China can be built. MONA is developing the MONA China project with a vision to create Australia's most significant and meaningful contemporary cultural exchange program with China and as a way to build a high-profile base in China through partnership and artistic exchange.

*Prepared by the MONA China Project.
Photo: Museum of Old and New Art*

International education

Australia has benefited from the increased numbers of international students coming to pursue their studies onshore.

The current top Asian countries for international students coming to Tasmania are China, Malaysia, South Korea and Singapore, while for Australia these countries are China, India, South Korea, Malaysia and Vietnam. International education is a significant opportunity, which the Tasmanian Government can support by developing an integrated system to support, welcome and ensure the safety of Asian students in the local community.

Globally, the international education market is highly competitive. Australia has experienced a decline in international onshore enrolments in some parts of the market since 2009. In this context, the University of Tasmania's aspiration to double international students and to create a "pool of Asia-knowledgeable and Asian language proficient Tasmanians" deserves strong support (UTAS 2012). This, as well as other statewide initiatives that offer international students a well-rounded academic and living experience, can boost the socio-cultural enrichment that will allow Tasmania to achieve a demographic and cultural transformation with long-term benefits for accessing Asian investments and markets. The move will also have a positive flow-on effect for the state's housing, tourism and domestic services sector. Yet, for Tasmania, attracting international students forms only one aspect of a broader multi-pronged strategy and will be a challenge in an increasingly competitive sector.

The education sector is also experiencing deep change in teaching delivery due to the growing importance of online delivery from top-tier universities, such as the Massachusetts Institute of Technology (MIT). Competitive advantage in this

arena will be hard-won. Online delivery may reduce the incentive for Asians to study overseas, and the competitiveness of smaller universities will rely more strongly on being highly specialised players in a global marketplace. However, Australia and Tasmania are well placed to continue to compete in the quality segment of the international education market, which demands a rigorous, creativity-based learning experience.

The University of Tasmania, including the Australian Maritime College, also has a firm foundation in teaching online (distance) courses, a facility that could enhance the University's efforts to foster partnerships across the state and within the region. Tasmania has a number of offshore programs in China, Malaysia, South Korea, Hong Kong and Kuwait originating from the University of Tasmania, Tasmanian Polytechnic and other schools. These include the full delivery of qualifications offshore, partial delivery offshore with completion onshore, pathway programs, English-language programs and sister-school exchange programs.

Alongside efforts that strengthen Tasmania's profile in the Asian region, it is vital that continued efforts be made to integrate the education system and link it with industry needs. The integration of the school and vocational education system, and creation of seamless pathways between VET and employment or higher education, will enhance the skill and knowledge base of Tasmanian students. Linking education closely to industry requirements will create individuals who are job-ready, increasing their competitive advantage in a challenging global environment. The establishment of long-term partnerships that lead to education and research collaborations between educational institutions in Tasmania and Asia can bolster the value proposition on offer by Tasmanian institutions.

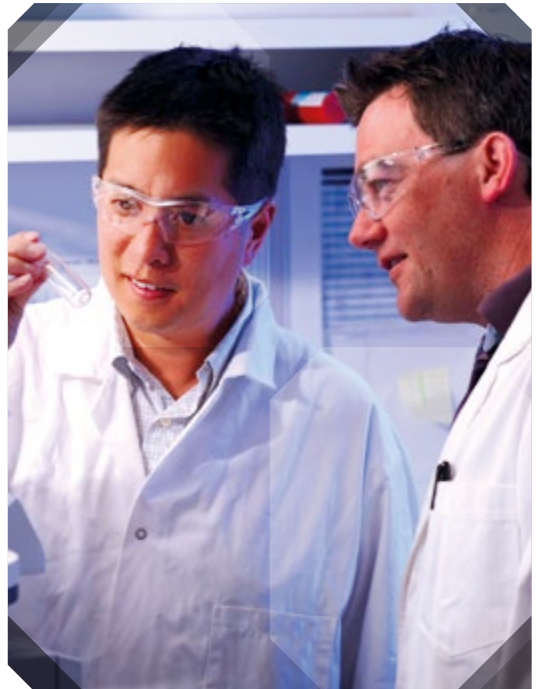
Science, research and development

International cooperation in research and education will be of growing importance in the Asian century.

Not only does it enhance research capacity, it also builds valuable relationships that have widespread advantages, including as a pathway for new business development. R&D will also be critical to maintaining the University of Tasmania's research standing and for attracting Asian students.

Opportunities for growth may be identified and organised around existing areas of capability. As indicated in the Excellence in Research for Australia (ERA) outcomes, disciplines of note for Tasmania include: oceanography, astronomical and space sciences, earth sciences, biochemistry, agricultural sciences, and environmental sciences. Tasmania's Antarctic programs also illustrate the sector's capabilities in interdisciplinary, collaborative and partner-based research, training and engagement. Tasmania's strengths are to be found in niche areas that exploit its locational advantages and which are hard for competitors to emulate.

Further opportunities will revolve around attracting Asian undergraduate and postgraduate students to study specialised degrees that exploit Tasmania's distinctive natural assets and research excellence. An area of research strength that is of particular relevance to local stakeholders (including industry, community and government partners) centres on agricultural, horticultural and animal production. This is an area of great significance to Asia.



Tasmania's expertise in renewable energy, water, planning and other areas also has significant potential to assist in the sustainable development of Asia, building on the region's projected US\$7.6 trillion to US\$8 trillion infrastructure spend between 2010 and 2020. State-owned businesses, such as Hydro Tasmania, should continue to engage in Asia's development based on Tasmania's expertise and consulting services. This engagement can leverage the growing regional networks being established by Australian engineering firms to support a hub of engineering and planning expertise in Tasmania.

Antarctica

Tasmania is already playing a globally significant role in research on Antarctica and the Southern Oceans.

This research field is of increasing interest to Asian countries, many of which are expanding their own research activities in Antarctica. Tasmania can strengthen its presence in this global endeavour by building on its prominent global research hub. This research hub, and the increased inward investment it stands to attract from Asia, will create compelling opportunities for the development of remote and harsh environment technologies that are essential to conducting Antarctic research in a safe and cost-effective manner. The hub will also provide commercially significant opportunities in servicing these activities.

The ability to attract globally sourced public good research funding, particularly from Asian nations seeking to become more active in this field, provides a mechanism for funding innovation in remote and harsh environment technologies. Innovation in this area has the potential to generate significant specialised export markets in Asia and the rest of the world – wherever remote and harsh environment technologies are important.

As one of just five global gateway cities to Antarctica, Hobart is uniquely positioned to service the docking (plane or ship), maintenance, storage, resupply and personnel needs for a range of Asian nations operating in the large and prominent East Antarctic region. The main challenges to delivering this vision are:

- ensuring that the necessary physical infrastructure is in place (in particular, sufficient airport runway length to allow direct connections to key Asian, and therefore global, transport hubs);



- maintaining adequate internationally competitive research capacity in Antarctic, Southern Ocean and atmospheric research – which is necessary to attract and leverage international research funding and to maintain Australia's position as the pre-eminent nation in East Antarctic research;
- establishing the disciplinary skill sets and capacity to collaborate across disciplines, and between academia and industry, in order to achieve world-class innovation in remote and harsh environment technologies; and
- continuing to develop the diplomatic linkages with Asian Antarctic-involved nations to support enhanced cooperation in Antarctica and Southern Ocean science.

Key pathways

Supporting business

The Asian century is currently providing, and will continue to provide, a wide array of business opportunities.

There are already substantial opportunities to attract investment into the Tasmanian economy to supply growing markets in Asia for food, particularly dairy, minerals and other products. The Tasmanian Government is already attracting investment to the state, but more can be done. Examples include establishing a better level of representation in key nations, such as China. Trade missions are another critical element of building markets and relationships in Asia. Establishing international markets requires that visits are ongoing and supported at the highest level, and that business is positioned to follow up on potential opportunities.

Underpinning many of these activities will be a push by Tasmanian businesses to better leverage Asian value chains to both improve productivity and gain greater profit margins through maximising high-value inputs into value chains. Growing depth and liquidity in Asian capital markets, and greater engagement with, and knowledge of, these markets through other activities, will also benefit Tasmanian business. These changes will create stronger relationships that allow Tasmania to provide much more high value-added inputs, goods and services directly to Asia, for example leveraging Tasmania's expertise in renewable energy.

Tasmanian businesses must lead the way in making the most of these opportunities. The role of the Tasmanian Government is to create a welcoming environment for international investment and to help open doors (including through collaboration with the Australian Government). The Tasmanian Government can also be a key information provider for the business sector and take responsibility for bringing together all elements of Tasmanian society – including business – to make the most of the Asian century.



Migration

An important strategic element in increasing Tasmania's share of international skilled and business migrants to Australia will be communicating that Tasmania wants and values migrants.

This will be achieved through policy documents like this White Paper, but it also requires that whole-of-government and departmental strategies prioritise and give adequate resources to migration objectives with a focus on skills, business investment, entrepreneurship and cultural diversity.

For this to be successful, better communication is required to foster community understanding of the positive connection between international migration and Tasmania's economic future, including the role of:

- international migrants, students and tourists in building relationships that support mutually beneficial cultural, educational, scientific, investment and trade connections;
- business and skilled migrants in growing the economy by supporting productivity and innovation, bringing in investment, and having the entrepreneurship and connections to open markets and seize new opportunities;
- younger migrants in enabling Tasmania to overcome the demographic, fiscal and health services challenge of an ageing population; and
- all migration in raising economic demand, supporting services in regional towns, and helping Tasmanian businesses and consumers to gain the benefits of increased scale.

One important objective for our migration strategies should be to substantially increase Tasmania's capacity to capture Asian opportunities. Tasmania will pursue this outcome as one element of its active participation in national debate on regional settlement strategies through the Council of Australian Governments (COAG) and related forums.

Asian awareness

The Australian White Paper identified that Australians need an evolving set of Asia-relevant capabilities that are both broad and specialised. Governments, businesses, institutions and individuals all have a role in building these capabilities.

The Australian White Paper also identified the need to produce a step change in the understanding of Asia and the acquisition of Asia-relevant capabilities. The building blocks to develop knowledge of the region, including its history, culture and language, are laid in our schools.

The diversity of Australia's population, including the large number of Australians born in Asia or who are of Asian descent, increases our understanding of the region and helps to broaden our Asia literacy. However, Tasmania has a smaller proportion of its population with an Asian linguistic or cultural background. We can address this through targeted migration and by ensuring that Tasmanian schools have access to the resources necessary to develop an effective understanding of Asia.

There are a number of strategies for how Tasmania can increase awareness of Asian cultures and economic opportunities across schools, the workforce, the community and public sector. A key task will be to establish a broad community dialogue so that the opportunities of the Asian century, in particular those associated with international investment, migration and developing cultural understanding, are effectively communicated to stakeholders engaged in shaping Tasmania's future.



Love Launceston – City of Learning

Despite being a regional centre, Launceston's popularity as a destination for interstate and international students, particularly from Asia, is increasing.

While the economic, cultural and social benefits of receiving 'out of town' students are broadly acknowledged, some sectors of the local community are inexperienced in dealing with this increasing diversity. There is an opportunity to expand the community's understanding and appreciation of this small, but often visibly diverse, international student cohort. This should also include discussion of behaviours that may be deemed racist, intolerant or suspicious.

In order to promote Launceston as a learning destination for people from across the world, the Love Launceston – City of Learning initiative was started in 2009 as a collaborative project between the Launceston City Council, business, media, the education sector (including colleges) and the University of Tasmania. In addition to the main goal of attracting more

domestic and international students to Launceston, a key component of the project involves working with the local community to build awareness and respect for diversity. Social activities like Harmony Day celebrate diversity, and educational engagement through global citizenship awareness programs in primary and secondary schools begin to build an appreciation of diversity from the earliest ages. The City of Learning project uses stories from international students to highlight what is great about living in Launceston and to show that international students make a valuable contribution to the community.

The project is designed to promote Launceston as both a learning destination for students and as a career 'launch pad' for young professionals. To do this successfully, the City of Learning project nurtures and encourages engagement between international students and the local community. It is an excellent example of how strong partnerships between government, business and the education sector can help to promote a robust multicultural society.

Prepared by the University of Tasmania.

Goals and ambitions for Tasmania in the Asian century

Consistent with national aspirations, the Asian century presents Tasmania with the potential to redefine its long-term growth trajectory, building off its natural and created assets and its closer integration with the most rapidly growing part of the global economy.

There are nine realistic goals and ambitions that can be achieved by Tasmania in the Asian century. These goals and ambitions can be delivered by taking a number of pathways and actions that are explained carefully in the White Paper evidence base. None of these goals and ambitions can be achieved independently of the others.

A number of these goals are not new, and many key actions are already underway or under development. Some of these directions will be challenging, some less so, but together they define a comprehensive and interdependent strategy for Tasmania's approach to the Asian century.

1. Increase the size and skill base of Tasmania's workforce.

Tasmanian Government strategies already underway to achieve this goal include:

- improving school outcomes through programs such as Launching into Learning and Raising the Bar and raising Year 12 retention rates, particularly in regional areas;
- implementation of the Skills for Work program, including an entitlement to a subsidised Certificate III for every working-age Tasmanian and creation of the new TasTAFE; and
- developing and implementing an Asian education strategy through the Department of Education.

In response to the Asian century, the Tasmanian Government will:

- explore the application of innovative methods to improve access to, and the range of, learning choices in Asian studies.

2. Help shape Tasmania's demographic trajectory and address Tasmania's low cultural and economic awareness of Asia.

Tasmanian Government strategies already underway to achieve this goal include:

- supporting the University of Tasmania to develop an International Education Strategy that incorporates plans to significantly increase international student enrolments by 2018;
- supporting the efforts of the International Education Industry Roundtable, including coordinated branding for Tasmania as a unique and first-class study destination in key markets;
- through Government Education and Training International (GETI), attracting Asian international students to Tasmanian schools; and
- supporting social inclusion and the rule of law, and maintaining a welcoming, inclusive and tolerant society.

In response to the Asian century, the Tasmanian Government will:

- develop an integrated communication strategy, which includes community stakeholders and the Australian Government, focused on the potential benefits of the Asian century (in particular through international education, investment, trade, migration and developing cultural understanding), and which engages community stakeholders in shaping Tasmania's future in the Asian century;
- reinvigorate Tasmania's business and skilled migration program, including promoting migration opportunities as part of Tasmania's international business investment and student attraction strategies;

Goals and ambitions for Tasmania in the Asian century (continued)

- enhance cooperation with the Australian Department of Immigration and Citizenship (DIAC) and Australian Government immigration forums to increase the flow of migrants to Tasmania and their retention, including providing input on the development of settlement plans for regional Australia;
- incorporate the integration of Asian migrants and students into Tasmania's multicultural planning and policy framework;
- develop additional strategies to improve the settlement of migrants based on increased collaboration at all levels of government and with peak industry groups, including working with business to maximise the utilisation of the Asian university student and graduate workforce;
- promote education and business partnerships through expanded sister-city relationships in Asia, increasing the number of international Asian students in Tasmanian schools, and through leveraging the Australian Government's Australia Awards (Asian Century); and
- support the University of Tasmania to establish a new Asia Institute to act as a focal point for existing university and broader Tasmanian expertise on Asia and to perform research, education and development activities.

3. Establish Hobart as a world-class international, liveable, waterfront city with flow-on benefits for Tasmanians through greater Asian investment, tourism opportunities and improved access to Asian markets.

Tasmanian Government strategies already underway to achieve this goal include:

- advancing the redevelopment of the Macquarie Point Development Project and other opportunities identified in the 'Hobart: a world-class liveable waterfront city' vision;

- developing and implementing the 'Hobart Capital City' plan for the integration of efforts in expanding international education, research, public transport and increased inner-city living to facilitate an increase in international migration; and
- through Infrastructure Australia, continuing to support the 'Hobart: a world-class liveable waterfront city' vision.

In response to the Asian century, the Tasmanian Government will:

- work with local government to increase the accessibility of information and services to international students, visitors and migrants based on approaches developed by other Asia-friendly cities, with potential application to other Tasmanian municipalities.

4. Optimise Tasmania's infrastructure connecting the state to Asian markets and opportunities.

Tasmanian Government strategies already underway to achieve this goal include:

- implementation of the Tasmanian Infrastructure Strategy and development of a long-term freight strategy for Tasmania;
- leveraging the early rollout of the NBN through the Digital Futures Strategy; and
- working with industry through the Tasmanian Freight Logistics Coordination Team to develop realistic solutions for improving Tasmania's logistic systems, recognising the importance of commercial decisions in shaping the utilisation of the network.

In response to the Asian century, the Tasmanian Government will:

- work with key sectors, including trade, tourism, international education, and Antarctic logistics and research to aggregate demand to advance airport infrastructure development.

5. Increase the scale of production in areas of strength by improving connections to Asian markets and achieving efficiencies in production, logistics and marketing.

Tasmanian Government strategies already underway to achieve this goal include:

- building Tasmania's reputation through major tourist developments and Tourism Tasmania's reach into Asia;
- building Tasmanian brand synergies across the food, forestry, tourism, manufacturing, service and education sectors; and
- engaging with government agencies and officials in target Asian markets to support trade and investment opportunities for businesses and organisations, recognising the importance of government-led trade missions in supporting trade and investment ties with Asian nations.

In response to the Asian century, the Tasmanian Government will:

- establish representation in China to support the marketing of opportunities in key sectors, with an initial focus on forestry, mining, education and migration;
- enhance the capacity of Invest Tasmania to attract foreign investment, with a focus on key target markets;
- work more closely with Australian Government trade and investment agencies to boost Tasmania's reach in Asia, including embedding capability in Australian Government agencies, such as Austrade, to improve Tasmanian links to Asian markets;
- work with business to implement the recommendations of the Asialink workforce capabilities project, including on how programs can link existing education initiatives and activities; and

- develop cultural awareness and build business and social networks in Asia, including through the Premier hosting a major annual Asia–Tasmania event to elevate and cement important Asian connections, and by leveraging events already supported by Events Tasmania.

6. Build on established export strengths in minerals, metals, forestry, food, energy, manufacturing, sustainable development and consulting services.

Tasmanian Government strategies already underway to achieve this goal include:

- implementation and extension of the Tasmanian Economic Development Plan to lift supply capacity and efficiency in agriculture, mining, manufacturing and services;
- ensuring that access arrangements for the Tasmanian minerals estate and other natural resources are clear and transparent;
- removing regulatory impediments to business development and business adjustment to encourage rapid response to productive business opportunities in the Asian region;
- supporting the transition of the Tasmanian forestry industry, including leveraging opportunities from the Tasmanian forest peace agreement to sustain and build markets for Tasmanian forest products in Asia;
- enabling the expansion of salmon aquaculture in Macquarie Harbour;
- working with industry and training providers to ensure access to skilled labour through training and migration;
- supporting food safety and Tasmania's food-producing sectors by maintaining Tasmania's longstanding focus on biosecurity;

Goals and ambitions for Tasmania in the Asian century (continued)

- supporting the establishment of an export hub of consulting, engineering, renewable energy and like companies, including leveraging the international links already established by Tasmanian, national and multinational firms; and
- assisting Hydro Tasmania, Forestry Tasmania and other Government Business Enterprises to pursue consulting opportunities in Asia.

In response to the Asian century, the Tasmanian Government will:

- develop strategies to leverage existing business connections and experience in Asian markets, including those held by Government Business Enterprises, for the benefit of the wider Tasmanian industry base.

7. Increase exports of food and beverages to Asian markets, with a focus on competitively priced quality foods for Asia's growing middle class and the marketing of premium products to Asia's high-income consumers.

Tasmanian Government strategies already underway to achieve this goal include:

- attracting investment in food and agriculture that targets the establishment of links into Asian food supply chains, including Asian supermarkets;
- undertaking a Compliance Burden Review focused on food export industries to ensure the right balance is struck between health, brand and environmental protection, while lowering the cost of doing business;
- promoting investment in the dairy industry in partnership with DairyTas and milk processor companies, including enabling dairy conversions where returns remain higher than alternative land uses;

- promoting investment in the wine industry through publishing *The Wine Industry in Tasmania – A Guide for Investors*, with an aim to quadruple Tasmania's wine production and establish Tasmanian icon and super-premium wines in the Asian market; and
- supporting exporters leveraging Tasmania's relative pest- and disease-free status in marketing quality produce as a key element of Tasmania's brand.

In response to the Asian century, the Tasmanian Government will:

- work towards securing private capital contributions to fund the development of identified irrigation projects, and ensure that the full benefits from additional water for irrigation are realised to maximise the value of agricultural production in the state;
- support implementation of the Agriculture Industry Skills Plan in association with the Tasmanian Farmers and Graziers Association (TFGA);
- work with industry and Brand Tasmania to develop 'Tasmanian Gourmet' food branding initiatives that bring together cheese, wine, cherries, salmon and seafood as a premium food and beverage offering to high-income Asian customers and supply chain intermediaries, with positive benefits for tourism and education; and
- facilitate greater use of land leasing to enable agricultural enterprises to increase scale and international investment.

8. Support the transformation of Tasmania's manufacturing to take advantage of international value chains and to leverage off continued innovation in areas of strength.

Tasmanian Government strategies already underway or under development to achieve this goal include:

- fostering greater collaboration between industry, government and research organisations as part of the implementation of the Reaching Our Potential: Developing Tasmania's Science Research Capability – Action Plan and the establishment of linkages between the manufacturing and research sectors of the Tasmanian economy;
- encouraging utilisation of the Tasmanian Government Innovation and Investment Fund and Export Marketing Assistance through the Department of Economic Development, Tourism and the Arts (DEDTA);
- undertaking the Manufacturing Skills Excellence Network Pilot Program;
- working with major enterprises in trouble to identify sustainable solutions, including through the use of technology and the transformation of value chains; and
- supporting the establishment of innovative industry hubs of likeminded enterprises to share opportunities for improvement in efficiency, innovation and marketing.

9. Establish Hobart as a gateway for Asia to access the Antarctic continent and Southern Ocean based on a world-class research hub and direct logistical support.

Tasmanian Government strategies already underway to achieve this goal include:

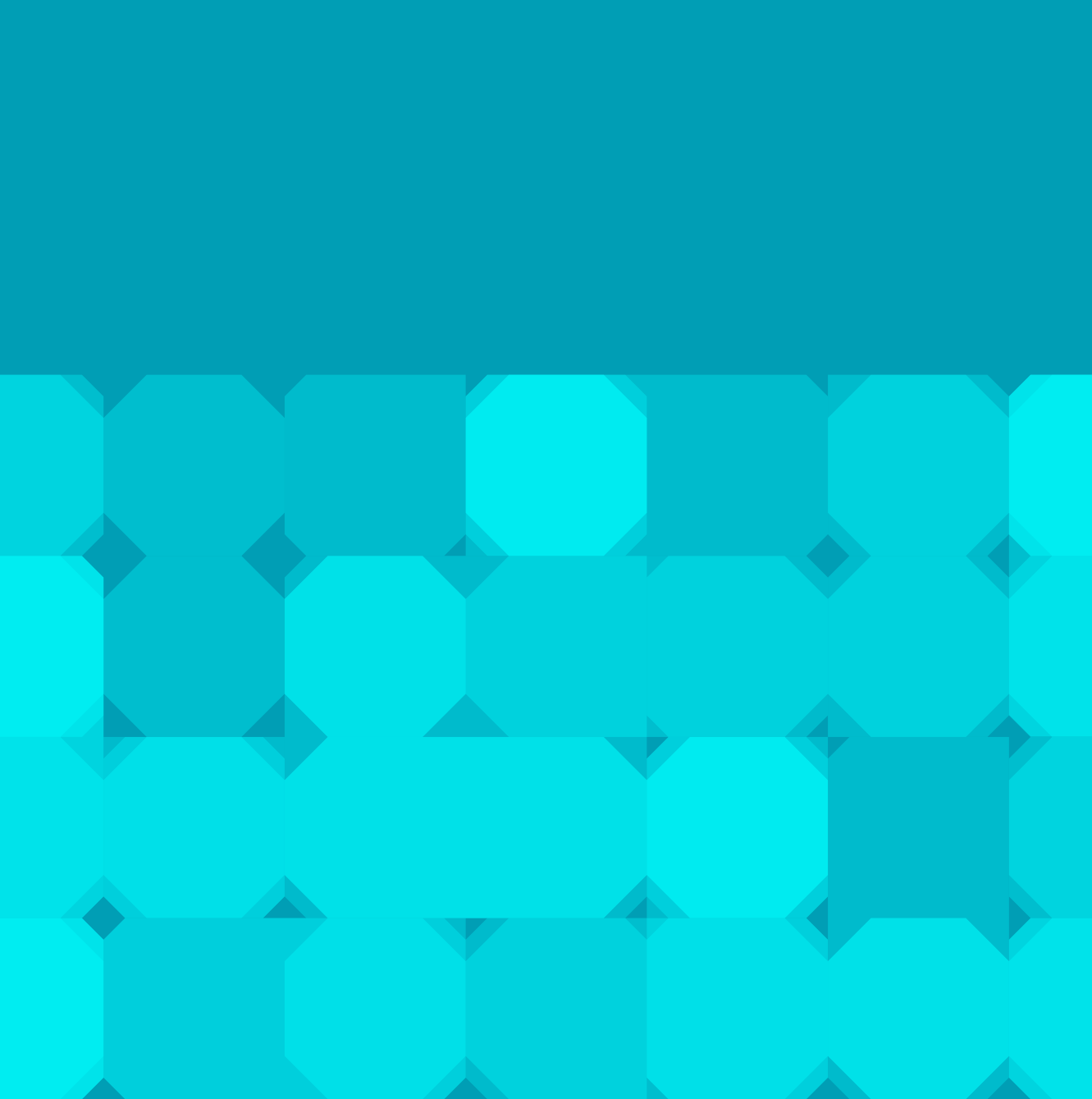
- implementation of the Developing Tasmania's Antarctic Sector plan, including increasing the Australian and international Antarctic programs' use of Tasmanian suppliers and service providers; and



- working with Hobart International Airport Pty Ltd and Infrastructure Australia to develop a feasible framework for the Hobart–Antarctica air gateway project.

In response to the Asian century, the Tasmanian Government will lobby the Australian Government to:

- give priority to establishing Hobart as the world's pre-eminent Antarctic gateway and fostering Antarctic cooperation as fundamental objectives of Australia's diplomatic engagement with Asia;
- provide funding to support a new globally focused research partnership that includes the Australian Antarctic Division, CSIRO and the University of Tasmania, and which builds on Tasmania's established logistical reach and research capability to cement Hobart and Australia as the global leader and hub for East Antarctic research; and
- explore the feasibility of a Higher Education Contribution Scheme (HECS)-funded International Antarctic Corps to provide young people from Australia, Asia and around the world with the practical training, skills and experience to support Antarctic and Southern Ocean expeditions, science and future industries.



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