BRIDGING THE DISTANCE

For nearly 30 years, Australia reported positive economic growth each year and has grown its GDP per capita to become the fifth largest in the world. Consolidating its status as a regional and even a global economic powerhouse, the vast country has surmounted its geographical disadvantage. Its distance from the world’s major markets meant growth came most from domestic consumption, rather than foreign trade.

“We were so distant from the rest of the world, but we were able to develop our own economy from that,” Australia Industry Group (Ai Group) Chief Executive Innes Willox explains.

In the last decade, as supply chains improved and business grew more globalized in the last decade, Australia adapted quickly by developing its services sector, which now accounts for most of its overall GDP, as well as strengthening its exports, particularly from mining. As of 2017, Australia sends out close to $230 billion worth of goods annually.

According to the Australian Trade & Investment Commission (AUSTRADE), last year the value of Australian exports of goods and services increased 17 percent following a two year decline. This was mainly driven by the higher prices of minerals and fuel, which account for more than 45 percent of total exports.

Buying almost 30 percent of exports, China has become the most important trading partner of Australia, a long-term supplier of natural resources and premium agricultural produce to the Chinese market and the rest of the Asia-Pacific. AUSTRADE predicts that this year Australia’s economic growth will be the highest among major advanced economies.

“Australia benefited enormously from China’s economic boom and its huge demand for natural resources. That was one essential reason we avoided the global financial crisis,” Melbourne Business School Dean Ian Harper says.

A strong advocate of globalization, Australia has free trade agreements with China, Japan and Korea. It also signed the Asia-Pacific Trade Agreement (APTA) with Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam earlier this year, and pursuing trade talks with the European Union.

“Australia is a trading nation. Our prosperity is built on opening access to new markets,” says Steven Ciobo, a member of parliament and former minister of trade, tourism and investment.

In terms of revenue, some of Australia’s industries are ranked among the largest in the world: mining and fuels (3rd), international tourism (10th) and agricultural products (12th). It also has the third-largest enrolment of foreign students and the sixth-largest investment.
While the United States and the United Kingdom remain the top sources of FDI, investments from South Korea, Hong Kong and mainland China have seen double digit growth in the last five years, a trend that does not appear to be slowing down, according to the Ministry of Foreign Affairs.

So, Australia’s midterm and long-term economic growth is strongly connected to its neighboring Asian markets. By 2022, China and India alone are expected to represent almost a third of global GDP.

Leaving behind domestic consumption as an engine of growth and well-integrated with the fastest growing economies, Australia is perfectly positioned to become the world’s next economic powerhouse.

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Investing in the future

While its distance to key markets like the United States and Europe stood as a disadvantage for a long time, Australia has defied expectations by strengthening its network in the fast-growing Asian-Pacific region. With its highly developed infrastructure and young population, particularly in its major cities like Sydney and Melbourne, the country has attracted a lot of foreign investment and built strong trade relationships across the globe.

The development of megaprojects, such as World Trade Center Sydney and a new airport complex in Western Sydney, hopes to further facilitate trade and foreign investment by enhancing the city's connectivity to the rest of the world.

"There is a lifetime of investment opportunities created in the various components of this mixed-use development. With Aerotropolis Group as the developer, foreign direct investment partners will be part of shaping this city as they create significant economic and employment activity near Australia’s new gateway airport," Aerotropolis Group CEO and Managing Director Jomon Varghese says.

For its part, the New South Wales Department of Industry has taken a more expansive approach to industrial development in its effort to attract more business.

“Sydney is a world class location. There are already 600 multinationals located here. We also offer connectivity between business programs, support startups, SMEs, a well-connected education and research industry. That really drives a whole-of-industry approach to industry development,” NSW Department of Industry Executive Director Kylie Bell says.

For many years, Australia invested heavily into its education system while aggressively recruiting the brightest foreign students from around the world. This has not only built a strong skill-based workforce but, just as importantly, has established a very strong research culture, which has devoted its efforts to solving some of the world’s most complex issues.

Melbourne, in the state of Victoria, has developed a reputation as a hotbed of innovation. Many of the city’s most innovative companies have become success stories in health care, life sciences, fintech and even in transportation and defense. APV Safety Systems, just of the many SMEs, is an example of an Australian company whose pioneering technology has saved many lives around the world.

"We’ve got lots of ideas and more patents per capita than many other countries. But for various reasons, we find it difficult to commercialize these ventures,” Melbourne Business School Dean Ian Harper says.

While the wide gap between research and industry stands as a huge challenge to surmount, the robustness of the two fields also represents the key to the sustainable growth of Melbourne and, by extension, Australia.

“This is the biggest opportunity facing Melbourne Business School and also its greatest challenge. We are part of the country’s number one ranked research university. We are part of the fastest growing knowledge economy in the country. Melbourne has a bit of a comparative advantage in making these things work.

CONTINUED ON NEXT PAGE
Investing in the future
CONTINUED FROM PREVIOUS PAGE

to catalyze the knowledge economy,” Harper says.

In the same city, another leading institution is rethinking its approach to education as part of its continuous contribution to narrow the gap between research and industry.

“In recent years, the Monash MBA program has reimagined what business leaders want from an MBA program. So, we designed and launched new programs fit for the 21st century,” says Monash Business School MBA Programs Director Prof. Patrick Butler.

“The Monash MBA focuses on next-generation challenges including AI, sustainability and governance. We take on consulting projects in the commercialization of technology, new venture start-ups and international business,” Butler adds.

“Our Global Executive MBA students study at leading business schools internationally and undertake projects in advanced manufacturing, life sciences and digital transformation for Australian businesses. Our economy really needs these ambitious, tech-savvy executives with a global mindset,” he also says.

The next frontier

Although regarded as an advanced economy, some of Australia’s regions present untapped investment opportunities similar to those of developing nations. Comprising one-fifth of the country’s territory, the Northern Territory (NT) accounts represent only one percent of the total population.

NT’s abundant reserves of minerals, natural gas and petroleum have powered the region’s export sector and attracted massive investments from the United States, Europe and Japan. It has also put forward agriculture, aerospace and defense as its favorable investment sectors.

“We are the only developing economy, within a developed nation, in a tropical region, on the planet,” NT Department of Trade, Business and Innovation Chief Executive Michael Tennant says.

The NT wants to position itself as a gateway to and from Asia. Its capital Darwin, also Australia’s northernmost city, is geographically closer to Indonesia than it is to Sydney.

Aside from its expanding seaport, Darwin is expanding its international airport, building a much-needed cold storage facility and adding routes to major Asian cities. The infrastructure projects are laying the groundwork for NT’s economic takeoff.

In the field of science, the Menzies School of Health Research is making a name for itself around the world as a leading research institute in tropical diseases and indigenous health.

“We are on the doorstep of the fastest growing area in the planet with the fastest growing middle class. The opportunities for trade and investment here are limitless,” Tennant says.■