

28 February 2017



Hon Julie Bishop MP  
Minister for Foreign Affairs  
PO Box 6022  
House of Representatives  
Parliament House  
Canberra ACT 2600

**RDA Barwon South West Committee**  
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Dear Ms Bishop

**Public Submission for Foreign Policy White Paper**

Regional Development Australia Barwon South West (RDA BSW) welcomes the opportunity to provide a submission to be considered in the development of the new Foreign Policy White Paper.

RDA BSW is providing this submission primarily to inform the Government on the valuable contribution the Barwon South West makes to Australia's exports. RDA BSW believes there is an opportunity to strengthen both policy and regulations to ensure better outcomes for regional Australia.

The Barwon South West supports foreign policy that promotes stronger relationships with Asia; the simplification of governance systems and regulatory requirements that protect our safe food reputation; options to maximise the international education growth, and migration policy that supports population growth and workforce issues in regional Australia.

If you have any enquiries about this submission, the RDA BSW Committee would welcome an opportunity to discuss further.

Yours sincerely

A handwritten signature in black ink, appearing to be "Bruce Anson".

**Bruce Anson**  
Chair  
Regional Development Australia Barwon South West

A handwritten signature in black ink, appearing to be "Peter Dorling".

**Peter Dorling**  
Deputy Chair  
Regional Development Australia Barwon South West



An Australian Government Initiative



**Regional Development Australia Barwon South West  
submission to the  
Foreign Policy White Paper**

28 February 2017



# Contents

1. Key Recommendations	3
2. Context and Mission	4
3. 'Localising' Foreign Policy – maximising outcomes from FTAs	5
4. Foreign Policy as a driver of state economic growth	5
5. Regional Migration	9
6. Conclusion	9

# 1. Key Recommendations

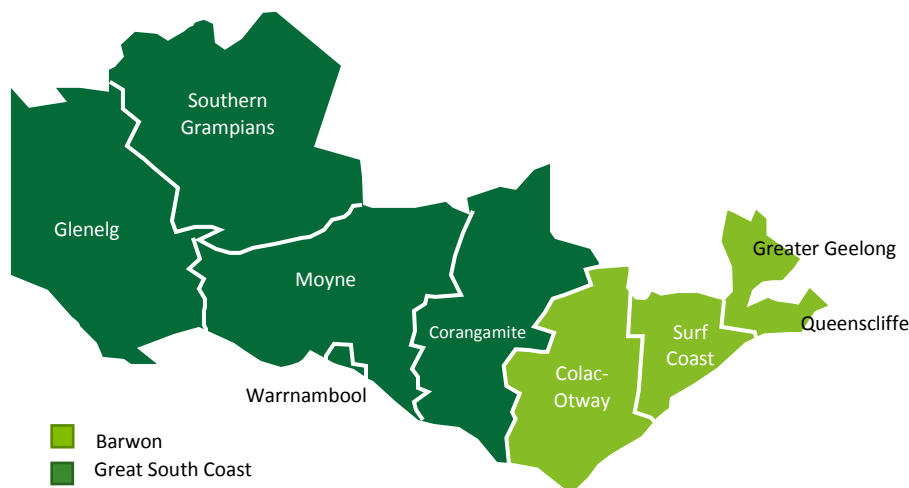
Regional Development Australia Barwon South West (RDA BSW) welcomes the opportunity to provide a submission to be considered in the development of the new Foreign Policy White Paper. RDA BSW is providing this submission primarily to inform the Government on the valuable contribution the Barwon South West makes to Australia's exports.

RDA BSW believes there is an opportunity to strengthen both policy and regulations to ensure better outcomes for regional Australia and would like to submit the following challenges and recommendations to be considered in the development of the White Paper:

1. Australia's international activities and policy relating to foreign investment and trade, including the development of future FTAs need to be targeted and prioritised to support industries with the greatest growth potential.
2. Simplification of governance systems that protect our safe food reputation is required.
3. Businesses, particularly SMEs, face challenges in exporting to Asia due to difficulties in navigating Asia's business and regulatory environment.
4. DFAT should lead efforts in determining the best ways to assist local and state governments to build and grow sister city partnerships, promote benefits of FTAs and improve access of exporters, particularly in the regions, to countries where we have an FTA.
5. Support the development of Avalon as an international airport and freight hub, including the attraction of international carriers.
6. Further investigations are required into partnership programs between government, businesses and tertiary institutions to maximise work integrated learning opportunities for international students, particularly in regions.
7. Current immigration policy needs to be reconsidered to give a higher priority and points to those who will migrate to regional areas (excluding those cities that are considered regional for migration purposes such as Adelaide, Canberra and Perth).
8. Better use of migration policy to address skilled and unskilled labour shortages in regional Australia.

## 2. Context and Mission

The RDA BSW region is made up of the area from Queenscliff to the South Australian border and includes two state regions (Barwon and Great South Coast) and nine local government areas, as shown below:



The Committee is one of 55 committees from across Australia and is made up of 11 members drawn from across the region. Like other RDA Committees, RDA BSW Committees core responsibilities are:

To be a key facilitator of strategic change and economic, social and environmental development in the region; to be the link between government, business and the community; and to facilitate whole of government responses to opportunities in the community.

The RDA BSW executes its core responsibilities by:

1. Enabling and encouraging regional prosperity, monitoring progress in key areas
2. Leveraging regional advantages and build sector strengths
3. Promote regional capabilities/investment opportunities
4. **Support increase in exports/greater Asian presence**
5. Reduce barriers to job/economic growth i.e. infrastructure development, policy alignment.

### ***Support increase in exports/greater Asian presence***

- Helping provide visibility of the opportunities for business within the regions, as well as opportunities for our businesses to engage with Asian businesses to create the essential private sector connections
- Enablement and synergies – what is going on in one part of the region might well be able to benefit other parts, if it is communicated and encouraged
- Encouraging governments to provide the enabling infrastructure – NBN, visas – as well as physical infrastructure
- Helping the region understand the challenges and risks, and overcome the barriers to export.

### 3. ‘Localising’ Foreign Policy – maximising outcomes from FTAs

The Australia–China relationship was enhanced in November 2014, when Australia and China finalised a free trade agreement (FTA) that promises to yield strong economic benefits for both nations. Other recently-concluded agreements with key Asian trading partners include Australia’s FTAs with Japan and Korea.

These FTAs can have a catalytic impact in regional communities, and RDA BSW recognises that. The Great South Coast Food to Asia Action Plan<sup>1</sup> recommends improving access to Asian markets through FTAs and regulatory arrangements.

The Barwon South West region is well positioned to benefit from the current and predicted growth in Asia, due to relative close proximity to these countries, providing supply advantage over some other key competitors, the region’s capacity to increase food production and our iconic tourism assets.

Businesses, particularly SMEs face challenges in exporting to Asia due to difficulties in navigating Asia’s business and regulatory environments and have limited knowledge and contacts in the market to support their integration into Asian supply chains. Warrnambool City Council have partnered with Asialink Business to deliver the Warrnambool China Bureau that provides strategic and operational support to enable organisations and businesses within the Great South Coast region to navigate China’s complex challenges and rapidly changing business environment.

Local governments in the Barwon South West region are partnering with cities, for the most part in Asia to establish sister city / friendship city arrangements. Warrnambool City Council, holds a longstanding sister city relationship with Changchun in China, and its Changchun Economic Development Demonstration Project highlights the region’s potential to deliver practical and cooperative economic benefits for both cities.

The potential for an expanded and deeper economic partnership with our Asian neighbours are further enhanced by the FTAs. Future foreign policy directions should consider how these agreements can be ‘localised’ – DFAT should lead efforts in determining the best ways to assist local and state governments to build and grow sister city partnerships, promote benefits of FTAs and improve access for exporters, particularly in the regions, to countries where we have an FTA.

### 4. Foreign Policy as a driver of state economic growth

In 2016, the Victorian Government released its Future Industries Strategy. The sectors noted in this strategy are focused on growth to help Victoria’s economic transition. In line with this strategy RDA BSW are working with the Victorian Government and have identified the following sectors as growth sectors in the Barwon South West region. Australia’s international activities and policy relating to foreign investment and trade, including the development of future FTAs need to be targeted and prioritised to support industries with the greatest growth potential.

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<sup>1</sup> Great South Coast Food and Fibre Action Plan 2016

## a) Food and Fibre

There are several reasons why the region is well positioned to grow trade opportunities in the food and fibre sector:

- The region is a leader of livestock industries, particularly dairy
- The region is connected to two major ports – Portland and Geelong, which are well positioned to strengthen through export of bulk commodities as a result of the Murray Basin Rail Project
- The development of Avalon Airport has the potential to result in Avalon Airport becoming a major international distribution point for Victorian agriculture, and will improve access to air freight for exporters across the region
- The region’s aquaculture and fishing sectors have strong long-term growth potential
- Fertile soil and a variety of soil types
- Capacity to increase food production
- Access to vast water resources
- Safe and sustainable production protected by a compliance framework

As Australia’s largest food and fibre exporter, Victoria accounts for 26 per cent of Australian food and fibre exports. In 2015-16, the Victoria’s total food and fibre exports were valued at \$11.9 billion and accounted for 81 per cent of Australia’s dairy exports, 48 per cent of horticultural exports and 39 per cent of prepared food exports<sup>2</sup>.

Victoria’s 10 most valuable food and fibre export markets in 2015-16 were China, Japan, USA, New Zealand, Indonesia, Hong Kong, Malaysia, South Korea, Singapore and Vietnam<sup>3</sup>.

Our regional exports are sold in highly competitive and mature global markets and as a result exporters are faced with challenges such as:

- Volatility in global markets, for downstream investors, security of supply and volatile prices add a higher degree of risk to investment. In 2016, global market conditions depressed prices in the dairy industry, leading to uncertainty over the long-term viability of farms and processors in the region.
- Market access barriers, including tariff barriers, “behind the border” barriers such as inconsistent application of rules, and complex regulatory environments
- Producers and exporters have varied information about trends in foreign markets and can experience difficulties establishing connections with international buyers and importers. This reduces their ability to identify export opportunities and adjust their production varieties, quantities and timing to penetrate new markets.

Opportunity, in terms of employment in the region’s agribusiness sector, is to enhance its position as a value-add region for Victorian agriculture – adding value to primary produce from both within and outside of the region. The most likely way this will occur is by attracting investment that leverages the region’s state-significant infrastructure assets; particularly the two major ports (Portland and Geelong) and Avalon airport. Avalon airport is actively pursuing international flights from Asia and in addition to moving people, it is positioning itself to be an international freight hub, with focus on fresh food exports.

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<sup>2</sup> Victorian Food and Fibre Export Performance Report 2015-16

<sup>3</sup> Victorian Food and Fibre Export Performance Report 2015-16

## **b) International Tourism – Visitor Economy**

The visitor economy in Barwon South West represents a significant opportunity for future growth, it is a major economic driver for the Barwon South West region, particularly in coastal areas. In recent years, the rising wealth of Asia, depreciation of the Australian dollar and falling oil prices have seen a sharp increase in international visitors to Australia.

The region's strengths are predominantly in its nature based attractions, such as rugged coastline, natural parks and reserves, wildlife, water, beaches and recreational fishing. The region hosts the Great Ocean Road and the Twelve Apostles, one of Australia's most iconic tourism assets.

China continues to be Australia's most important inbound tourism market. The strong growth forecast for Chinese inbound leisure visitors promises to boost international day trips in particular. For the decade to 2024/25 the official national forecasts from the TRA (July 2016) indicate that 71% of forecast growth in arrivals is expected to come from Asia with:

- Asian visitor arrivals are set to increase from 2.2 million to 5.5 million and
- Non-Asian visitor arrivals increasing from 2.9 million to 4.2 million

The Chinese market in particular will provide very large growth in inbound leisure arrivals (44%) with an annual average growth of 15% per annum in the coming decade. Translating this into actual arrivals – in 2014/15 there were 684,000 leisure arrivals from China, by 2024/25 the official forecast is for 2,643,000 leisure arrivals from China to Australia<sup>4</sup>.

Supporting the development of Avalon Airport, including the attraction of international carriers will open up further growth opportunity in the visitor economy in Victoria and the Barwon South West region.

## **c) Advanced Manufacturing**

Victoria has a world-class manufacturing sector that contributes around \$26 billion to the Victorian economy each year and employs about 274,000 people. High value manufacturing is one promising prospective growth sector for the region, particularly in Geelong. High-value manufacturing is less sensitive to changes in labour prices (cost competitiveness), as it competes on quality, uniqueness, reliability and prestige. In the Barwon South West region specifically, collaboration between industry and universities has allowed advanced manufacturers particularly those in carbon fibre to reach world class standards and attract global contracts.

Policy support is required to assist regional companies seeking to access global markets and supply chains and also to promote industry/research capability (i.e. Carbon Fibre in Geelong). Without ongoing support for technology improvements in local industry, regional businesses will struggle to remain globally relevant.

## **d) Medical Technologies and Pharmaceuticals**

As an export-focused sector there is a vital role for government in supporting organisations, particularly growing SMEs, to access international markets through targeted investment and trade activities, facilitating collaborations and partnerships, and building necessary government-to-government relationships.

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<sup>4</sup> Tourism Research Australia Report July 2016



The Geelong Centre for Emerging and Infectious Diseases (GCEID) collaboration between Deakin University, Barwon Health and CSIRO could position the region as a global leader in disease research. The sector is heavily reliant on international markets for inward investment and research collaboration.

### **e) International Education**

International education has been Victoria's largest services export industry for over 10 years, generating more than \$43 billion in services exports for the state. In 2014, international education services generated \$5.6 billion and supported an estimated 30,000 jobs<sup>5</sup>. Over half of Australia's skilled migration comes from international students<sup>6</sup>.

Regional tertiary education providers retain a number of competitive advantages to promote, including expertise in certain fields as well as advantages in housing and related costs, and a premium student experience in smaller towns and communities. World class expertise in research alongside with teaching in specialist areas have direct relevance to markets across Asia, the Middle East and Latin America - locations where demand for education is growing<sup>7</sup>. CSIRO's advanced textile laboratories and the Australian Animal Health Laboratories, are located in the Barwon South West region emphasising the region's potential to attract international students.

Work integrated learning opportunities are a very important component in attracting students to study in Australia and this program must make provision for students in regional Victoria.

Further investigations are required into partnership programs between government, businesses and tertiary institutions.

### **f) Professional Services**

Asia's growing share of global economic activity offers substantial opportunities for Victorian firms to further expand their exports in coming years. However, despite recent trade agreements, non-tariff barriers to trade in professional services remain significant in many regional and global markets. These can include operating licence or registration restrictions, limitations on data movement and caps on branch office numbers.

It can be difficult for firms to understand the implications of international free trade agreements and how they impact on market access, especially where more than one agreement applies to a specific market. There are opportunities to provide better online information and training courses to enable our professional and business services firms to understand the specific benefits and opportunities associated with trade agreements<sup>8</sup>.

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<sup>5</sup> Victorian Future Industries International Education Strategy 2016

<sup>6</sup> Universities Australia

<sup>7</sup> Universities Australia

<sup>8</sup> Victorian Future Industries Professional Services Sector Strategy

## 5. Regional Migration

Migration and cultural diversity adds in the order of \$1 billion to the Victorian economy every year. At the same time, tourists visiting family and friends are estimated to generate another \$1.2 billion in economic activity<sup>9</sup>.

The slow population decline in rural areas is a long standing and dominant issue in regional development. Meanwhile, our capital cities are experiencing growth pressure due to high population and immigration growth. Australia's immigration policy has levers that can assist with these issues. Regional Australia Institute (RAI) research suggests that international migration is a fundamental driver of population growth differences between metropolitan areas and regional Australia. RAI suggest that international migration should be the first priority for regional communities seeking to grow (or at least slow the decline in) their population. In addition, Department of Immigration and Border Protection research indicates that strategies for attracting and retaining migrants in regional areas are likely to have better chances of success if migrants are selected for their regional "suitability" as well as for their skills and employment characteristics<sup>10</sup>. RDA BSW recommends that the current immigration policy be reconsidered to give a higher priority and points to those who will migrate to regional areas (excluding those cities that are considered regional for migration purposes such as Adelaide, Canberra and Perth).

Skills shortages, labour shortages and retention of labour are key issues within the Barwon South West region. The lack of skilled and unskilled labour is a key constraint to business expansion, particularly in the Great South Coast region, in the dairy and timber industries. Labour shortages, demonstrated by very low unemployment and examples of businesses constrained by labour issues, point to a clear opportunity to utilise international migration to increase the labour pool in these areas<sup>11</sup>.

The Regional Sponsored Migration Scheme is designed for regional employers seeking to fill a full time vacancy that they have been unable to fill in the local labour market. The Skilled Regional Sponsored Visa category is for skilled people wanting to live and work in a designated regional area who would otherwise be unable to meet the criteria for a permanent visa. Generally applicants require English skills, be under 45 years of age and have an occupation which is listed as being in demand.

Skilled labour shortages should be addressed in areas with economic potential, with research revealing that there has been little effort to use migration policy to cope with labour shortages in specific regional areas (outside broad Federal government visa programs) and that there is a need to consider facilitating immigration to fill labour shortages in regions with real economic potential<sup>12</sup>.

## 6. Conclusion

The Barwon South West region is well positioned to benefit from the current and predicted growth in Asia, and supports foreign policy that promotes stronger relationships with Asia; the simplification of governance systems and regulatory requirements that protect our safe food reputation; options to maximise the international education growth and migration policy that supports workforce issues and population growth in regional Australia.

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<sup>9</sup> Victoria's Multicultural Policy Statement 2017

<sup>10</sup> Regional retention of migrants: critical success factors, Department of Immigration and Border Protection, Australia, January 2014

<sup>11</sup> Barwon South West Population Levers 2016

<sup>12</sup> Barwon South West Population Levers 2016