

## Press Release

FRIDAY, FEBRUARY 13, 2009

### **PricewaterhouseCoopers Melbourne Institute Asialink Index 2008**

Australia's international relationships are increasingly located in Asia rather than the rest of the world according to the first ever comprehensive index of Australian / Asian engagement, the PricewaterhouseCoopers Melbourne Institute Asialink Index.

The Index, launched today by Australian Minister for Trade, the Hon Simon Crean, reveals that Australia's regional relationships are growing much faster than the country's traditional alliances in Europe and the U.S.

In welcoming the new Index, Prime Minister Kevin Rudd urged Australians to contribute to the discussion about our nation's engagement with the region. "I hope the analysis and commentary in the PricewaterhouseCoopers Melbourne Institute Asialink Index will reach deep into the Australian community," he said.

The Index measures changes across a range of areas, including trade, investment, tourism, education, migration, business development and humanitarian assistance, between Australia and 25 Asian economies in the period 1990 – 2007. The Index was a major collaborative effort between PricewaterhouseCoopers, the Melbourne Institute and Asialink at the University of Melbourne.

According to Associate Professor Beth Webster at the Melbourne Institute of Applied Economic and Social Research, The University of Melbourne, "Asia's importance to Australia's future is clear. For the first time, this index enables us to quantify objectively which form of engagement — be it trade, education, tourism, research or humanitarian assistance — is growing fastest and which countries are forging stronger ties over time".

To date, Australia's engagement with Asia has generally shown upward movement. However, bilateral investment has been comparatively flat, confirming Australia's preference to invest in markets outside of Asia and vice versa.

Asialink Chairman, Mr Sid Myer, said "this lower investment rate suggests that in some ways Asia is still a little out of Australia's comfort zone". "It's imperative, in the current economic climate, that we have a greater understanding of Asia. We need to understand the languages, the cultures; we need an appreciation of individual countries' histories and geographies," he said.

"The trade indicators are reassuring," said Mr Tim Cox, Partner PricewaterhouseCoopers. "But, before business can say it is truly engaged, we would have to see a significant increase in investment. In spite of the regional impact of the global financial crisis PwC believes that Australia's business opportunities will be in Asia."

The Index reveals that despite the attention on China, as a group of nations, South East Asia was Australia's top engagement partner for 2007. Mr Myer said: "We do often hear China, China, China, but the Index shows Australia is in fact more engaged in other parts of the region. For instance, ASEAN's population is less than half that of China, yet Australia's two-way trade with ASEAN is still greater."

The first edition of the Index, to be updated annually, contains contributions from many of Australia's foremost public figures, businesspeople and Asia thinkers, including a reflective essay from Professor Tony Milner of the Australian National University.

### **UNDERSTANDING THE INDEX**

Although there is no single objective way to measure engagement, the Index uses seven quantifiable measures: trade, investment, research and business development, education, tourism, migration.

The Index tracks engagement along these seven dimensions between 1990 and 2007. It is an unweighted average of its seven components, each of which uses 1990 as the base year and 100 as the base number.

Trade and investment are measured using monetary values. The education, tourism, migration components are measured in numbers of people. Research and business development, and humanitarian assistance are shown in index format.

### **INSIGHTS REVEALED BY THE INDEX**

Selected insights from the Index are:

- The index shows that Australia's engagement with the world tripled since 1990, but its engagement with Asia quadrupled.
- Overall engagement with Asia conceals variations between the components as well as between economies. Such variation underlines the complex, multifaceted character of engagement.
- Unsurprisingly China has shown the strongest rate of growth in engagement, but South Korea and India have also grown significantly in recent years.
- The volume of trade between Australia and Asia has been greater than that with the rest of the world since 2004.
- Australia's two-way trade with ASEAN in 2007 was greater than that with China, despite a population less than half that of China.
- ASEAN, as a grouping of nations, was Australia's top engagement partner for 2007 across indicators.
- The significance of India is also brought into sharper focus in the Index. Two-way trade with India is increasing strongly, from a very low base. However, in 2007, it was still less than two-way trade with Singapore or Thailand.
- Australian investors have a clear preference for other parts of the world over Asia. Two-way investment flows between Australia and Asia are dwarfed by those with the rest of the world.

### **Report Enquiries**

Associate Professor Elizabeth Webster

Principal Research Fellow

Melbourne Institute of Applied Economic and Social Research, The University of Melbourne

Tel: 03 8344 2114

[ewebster@unimelb.edu.au](mailto:ewebster@unimelb.edu.au)

### **Media Enquiries:**

Cliff Howard

Communications and Publicity Manager

Melbourne Institute of Applied Economic and Social Research, The University of Melbourne

Tel: 03 8344 2154

Mob: 0402 780050

[howardc@unimelb.edu.au](mailto:howardc@unimelb.edu.au)