Maritime Opportunities: Australia
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## OVERVIEW

<table>
<thead>
<tr>
<th>Population (millions)</th>
<th>22.3</th>
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</thead>
<tbody>
<tr>
<td>GDP (US$ billions)</td>
<td>$1,541.8</td>
</tr>
<tr>
<td>GDP per capita (US$)</td>
<td>$67,723</td>
</tr>
<tr>
<td>GDP (PPP) as share of world total</td>
<td>1.17%</td>
</tr>
<tr>
<td>Military expenditure as share (%) of GDP</td>
<td>3%</td>
</tr>
<tr>
<td>Military expenditures, country comparison to the world</td>
<td>41</td>
</tr>
<tr>
<td>Human Development Index 2012 (UN)</td>
<td>Score: 0.938 Rank: 2/187</td>
</tr>
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</table>

Australia is the world’s 13th-largest economy, with a GDP of more than $1.5 trillion. Its per capita GDP ($67,723) is among the highest in the world, exceeding the per capita GDP of all other countries considered in this report. Australians’ quality of life is likewise outstanding. Australia ranks second (behind only Norway) in the United Nations’ Human Development Report, which assesses factors such as health, education and income equality among the world’s populations.

By land mass, Australia is the world’s sixth-largest country, although its comparatively small population (22.3 million) is overwhelmingly concentrated along the eastern coast, particularly in and around the cities of Sydney, Melbourne and Brisbane. As noted in the Heritage Foundation’s 2013 Index of Economic Freedom, Australia is simultaneously “one of the world’s least densely populated countries and one of the most urbanized.”

Australia and the United States enjoy close political, military and economic ties. Australia has fought alongside the U.S. in every significant military conflict since World War I, including recent involvements in Iraq and Afghanistan. The U.S. is Australia’s third-largest trading partner (behind China and Japan), and the U.S. is Australia’s largest source of foreign investment. The Australia-U.S. Free Trade Agreement (AUSFTA), which took effect Jan. 1, 2005, eliminated tariffs on almost all U.S. manufactured goods. As described by the U.S. Department of State’s Country Commercial Guide for Australia, AUSFTA moreover “commits Australia to open its federal and state government procurement market to U.S. suppliers at all levels and eliminate discriminatory preferences for most domestic suppliers.”

Although Australia gained full constitutional independence from the United Kingdom in 1986, Australia remains a member of the Commonwealth, with the queen as its head of state. Subsequent Australian governments have increasingly oriented their economic and foreign policies toward East and Southeast Asia, a response to the shifting balance of world power, as well as to Australia’s own geography and demographics. The CIA Fact Book identifies the population of Australia as 92 percent white, 7 percent Asian and 1 percent aboriginal or “other.”

Australia has free trade agreements currently in effect with Thailand, Singapore, Chile and Malaysia, as well as a multilateral free trade agreement with New Zealand and the countries of the Association of Southeast Asian Nations (ASEAN). It is engaged in direct free trade negotiations with China, Japan, South Korea, India and Indonesia, and it is one of 12 countries (including the U.S., Mexico and Japan) currently negotiating to form the ambitious Trans-Pacific Partnership.

One observer has recently noted that Australia’s foreign policy “has seemed torn between its Asian geography and its European history,” or as the article’s headline more pointedly put it, “caught between

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1 The U.S. Department of State produces a [Country Commercial Guide](https://www.state.gov/e/eb/rls/rpts/ccg) for every country that has a significant trading relationship with the United States.
the U.S. and China.” This conflict of interests has grown more evident in just the past few months, as documents released by Edward Snowden suggest that Australian embassies throughout Asia have long been used as sites of foreign intelligence gathering, in close cooperation with the United States’ National Security Agency. Australia now finds itself having to mend relations with its Asian allies, not unlike the U.S. in Europe. A key foreign policy challenge for newly elected prime minister Tony Abbott will be striking an acceptable balance between his country’s Asian and American interests. Abbott’s conservative Liberal-National coalition won a decisive electoral victory in September, ending six years of Labor Party rule. Abbott campaigned on a pro-business platform, promising to repeal a divisive emissions trading program and a tax on mining company profits.

**DOING BUSINESS IN AUSTRALIA**

**GENERAL CONSIDERATIONS**

<table>
<thead>
<tr>
<th>Score</th>
<th>Rank</th>
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<tbody>
<tr>
<td><strong>Global Competitiveness Index (World Economic Forum)</strong></td>
<td>Score: 5.1 Rank: 21/148</td>
</tr>
<tr>
<td><strong>Doing Business 2014 (World Bank)</strong></td>
<td>DTF: 80.74 Rank: 11/189</td>
</tr>
<tr>
<td><strong>Trading Across Borders (World Bank)</strong></td>
<td>DTF: 78.28 Rank: 46/189</td>
</tr>
<tr>
<td><strong>Economic Freedom (Heritage Foundation)</strong></td>
<td>Score: 82.6 Rank: 3/177</td>
</tr>
<tr>
<td><strong>Trade Freedom (Heritage Foundation)</strong></td>
<td>Score: 86.2 Rank: 38/177</td>
</tr>
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Australia’s appeal as a site of international business should be readily apparent. As aptly summarized by the *Country Commercial Guide* for Australia, “Australia is a sophisticated and modern economy that is a major exporter of primary resources (such as mineral and agricultural commodities) and an importer of high-end technology.” Further: “Along with the Free Trade Agreement, the case for entering or expanding in the Australian market is stronger than the population of 22.6 million might suggest, particularly with the strong Australian dollar stimulating greater demand for U.S. products and services. Australia’s relative market appeal remains convincing, with few barriers to entry, a familiar legal and corporate framework, sophisticated consumer and industrial sectors, and a straightforward, English-speaking business culture.”

Australia shines in the rankings assembled by the World Economic Forum, World Bank and Heritage Foundation, earning high marks for economic freedom and overall ease of doing business. One of the few weaknesses noted in the World Economic Forum’s *Global Competitiveness Report 2013-2014* is “the burden of government regulation, where the country ranks a poor 128th” (out of 148 economies). Rigid labor regulations and bureaucratic red tape are among the most frequently cited concerns of the Australian business community.

Few significant cultural barriers exist for U.S. companies doing business in Australia. Australians are known for their egalitarianism and informality, and they typically conduct business on a first-name basis. Business negotiations are usually direct and straightforward.

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TECHNOLOGY AND INNOVATION

Technological Readiness (GCI – WEF)  Score:  5.8  Rank:  12/148
Innovation (GCI – WEF)  Score:  4.5  Rank:  22/148

Australia’s level of technological readiness and capacity for innovation compares favorably with the other countries considered in this report, as well as with the rest of the world’s economies. Australia (like Japan and South Korea) possesses one of the world’s highest rates of mobile broadband subscriptions. The quality of Australia’s scientific research institutions likewise ranks in the World Economic Foundation’s top 10, along with Israel, the United Kingdom and Japan. The Country Commercial Guide identifies Information Technology Services as one of the 14 top commercial sectors in Australia for U.S. export and investment.

SECURITY CONCERNS AND CORRUPTION

Institutions (CGI – WEF)  Score:  5.0  Rank:  23/148
Corruption Perceptions Index 2012 (TI)  Score:  85  Rank:  7/176
Freedom from Corruption  Score:  88  Rank:  8/185

According to the Country Commercial Guide, “Australia maintains a thorough system of laws and regulations designed to counter corruption. In addition, the government procurement system generally is transparent and well regulated, thereby minimizing opportunities for corrupt dealings.” All this is evident in the rankings listed above. Australia’s scores in the Transparency International’s corruption indexes are higher than those of any other country considered in this report.

Like other Organization for Economic Cooperation and Development (OECD) member states, Australia participates in the OECD Antibribery Convention, which has since 1999 set “legally binding standards to criminalise bribery of foreign public officials in international business transactions and provides for a host of related measures that make this effective.”

Responses from the World Economic Forum’s annual Executive Opinion Survey indicate no major security concerns with respect to organized crime, the business costs of terrorism or the business costs of other kinds of crime and violence. Australian police services receive a high grade for reliability.

PROCUREMENT STRUCTURE

Defense procurement is decentralized in Australia. The Defence Material Organization (DMO) in the Department of Defence sets procurement policy and manages some procurement. The DMO Maritime Systems Division provides life-cycle logistics and engineering support services for the Royal Australian Navy. Within the Maritime Systems Division, the Naval Inventory Procurement Office (NIPO) provides procurement support for the Royal Australian Navy. Virginia companies interested in direct commercial sales of maritime-related products and services to Australia should focus on DMO, particularly NIPO procurement.

The Royal Australian Navy manages major procurement programs. This is handled by the deputy director of Navy Major Projects in the Navy Capabilities Branch of Navy Strategic Command, which is responsible for engineering, logistics and training support for the Royal Australian Navy.

Australia does not have a coast guard along the lines of the U.S. Coast Guard. The Coastwatch Division of the Australian Customs and Border Protection Service handles customs and immigration functions;

3 www.oecd.org/corruption/oecdantibriberyconvention.htm
three private volunteer organizations handle coastal search and rescue. The Royal Australian Navy handles offshore missions.

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RESOURCES