Asian Investor Market Opportunities

Regional Development Australia
ADELAIDE HILLS
FLEURIEU &
KANGAROO ISLAND

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1.0 Executive Summary

AsiaAustralis has been engaged by the RDA Adelaide Hills, Fleurieu and Kangaroo Island (RDAHC) to prepare a South East Asian Investment Attraction Strategy for the region. The objective of this project is to develop an **Investment Attraction Strategy** for RDAHC with a specific focus on the following markets:

- Malaysia
- Singapore
- Indonesia
- India
- Thailand
- Vietnam

The Strategy was to be developed based on secondary desktop research and the experience that AsiaAustralis has in these priority target markets. Based on evidence research, the Strategy will prioritise the above markets by industry based on an assessment of the following key issues: The key outcome from the Strategy has been the prioritisation of the nominated countries for future investment attraction activities, incorporating priority industry sectors for the sub-regions of the RDA (i.e. Adelaide Hills, Fleurieu and Kangaroo Island) and recommended target in-country corporates and other organisations for implementation of the Investment Attraction Strategy. AsiaAustralis has used its current global market knowledge and experience to undertake this project on behalf of the RDAHA and its community stakeholders.

RDAHC in Context

Regional Development Australia Adelaide Hills, Fleurieu and Kangaroo Island (RDAHC) was established as a partnership between the commonwealth, state and local governments. The RDAHC has committed to developing "*a portfolio of public and private investment opportunities; a range of partners and collaborators here and overseas to promote these prospects; a series of visits and presentation to highlight developments, and this will be supported with a range of tools to assist proponents in preparation of proposals.*" The first stage of this project has been to focus on the investment attraction opportunities in China, with this second stage of the project to look more broadly across Asia to targeted markets in South East Asia and India. This project has been supported by the South Australian government and is a key economic development focus for the near future in this region.

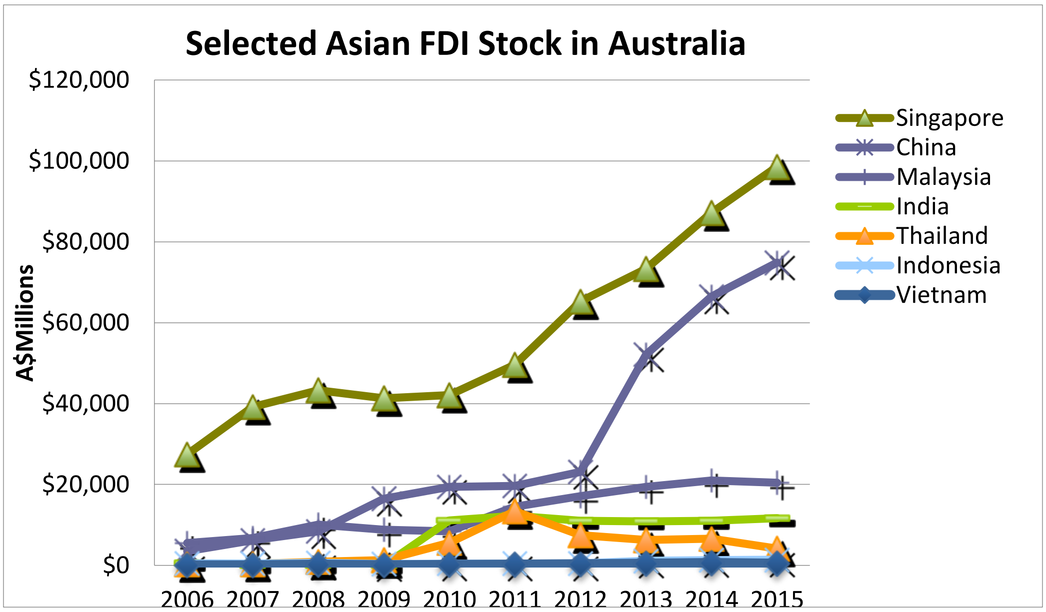
South East Asian Investment in Australia

Australia has strong history of attracting foreign investment from a range of economies, from Europe, North America and more recently from Asia. Asian investment in Australia continues to grow strongly, with long-term investment relationships established in South East Asia as a consequence of existing trade and investment treaties including; Singapore Australia Free Trade Agreement (SAFTA), Malaysia Australia Free Trade Agreement (MAFTA), Thailand Australia Free Trade Agreement (TAFTA), ASEAN Australia New Zealand Free Trade Agreement (AANZFTA). In addition to these preferential agreements, there are prospective trade agreements including the India Australian Comprehensive Economic Cooperation Agreement (CECA), and the Indonesia Australia Comprehensive Economic Partnership Agreement (IACEPA).

The total stock of South East Asian investment in Australia increased by 23.7 per cent by the end of 2015, reaching $134.78 billion. Singapore currently accounts for the majority of this investment stock with more than $98 billion, which makes it the 5th largest investor in Australia and 2nd largest Asian investor after Japan.

The level of Asian investment into Australia is clearly demonstrated through the table below of Selected Asian Foreign Direct Investment Stocks in Australia over the past decade. The table demonstrates the increasing trajectory of Asian investment into Australia, and particularly the growth of investment from long-term Asian investors such as Singapore, and new Asian investors such as China. Importantly this table is able to visibly demonstrate the important value of Singaporean investment into Australia over the past decade.

Table 1 Selected Asian Foreign Direct Investment Stock in Australia (2006-2015)



Opportunity Analysis

It is recommended that RDAHC's South East Asian Investment Attraction Strategy specifically adopts a targeted approach in support of current government priorities. There are significant regional market differences and there needs to be a recognition that South Australia's and the regional economy and population are comparatively small in a global context. It is also important to note that South East Asian investment into Australia has generally been focussed on particular investment categories.

Our recommended priorities therefore focus on targeted countries and strengthening established ties as well as cultivating new relationships. AsiaAustralis has identified the following initial criteria to be taken into account when prioritising geographic targets for Investment Attraction into the RDAHC region.

Relative Competitive Position Factors

- Where and what industry is already trading, and where industry has explicitly expressed desire for Government action.
- Existing Government strategic international relationships and partnership/links programs.
- Evidence in exports of Adelaide Hills, Fleurieu and Kangaroo Islands commodities.
- Existing trade relationships.

Market Attractiveness Factors

- Geo-political factors that favour South Australian food and beverages.
- Aggregate Investment in Australia (2011-2015)
- Ability and propensity to invest in Adelaide Hills, Fleurieu and Kangaroo Island Industry sectors and to raise export capability
- Size of Total Foreign Direct Investment (Source: UNCTAD)
- Tourist Numbers (Source: SATC)

These criteria have therefore been adopted as selection criteria for the prioritisation of target markets in the Relative Competitive Position and Market Attractiveness Assessment. This assessment is based on the allocation of weightings to the selection criteria, the rating (or scoring) of each of these criteria by market, the calculation of an assessment score for each criteria by market and finally an overall total or priority score for each market.

The following scores have been derived (in ranking order) for RDAHC's Relative Competitive Position in each country, and each country's Market Attractiveness (i.e. weight x score):

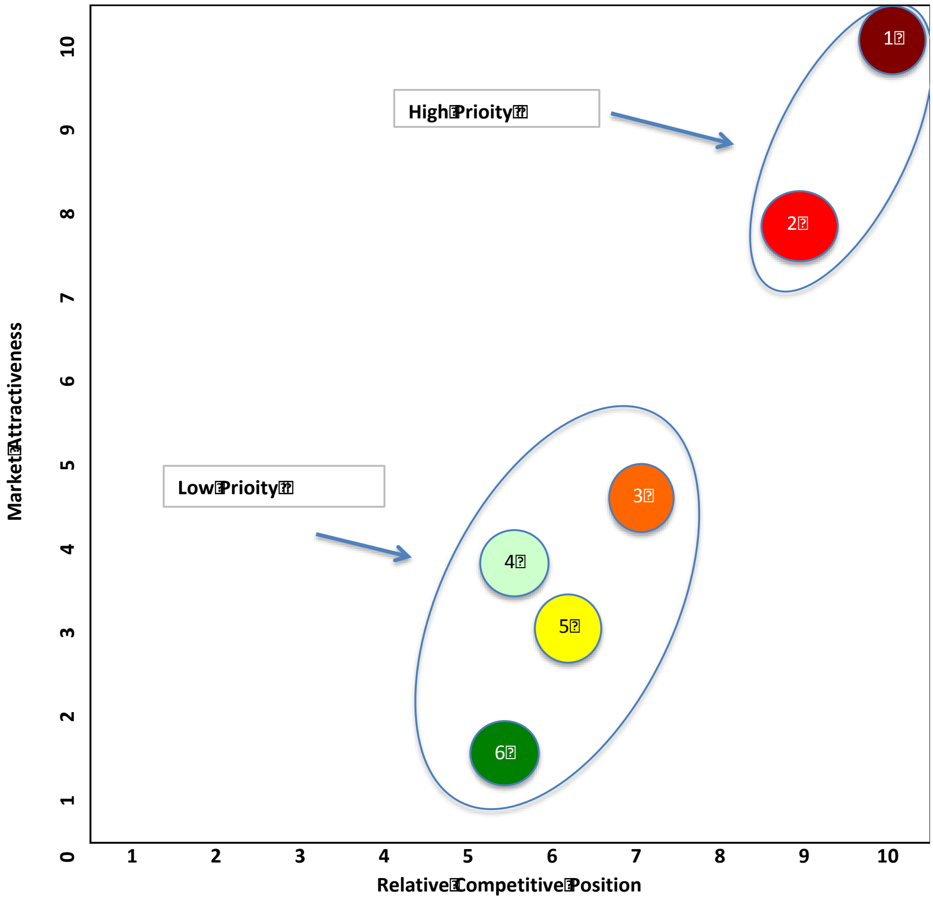
Country	RDAHC Relative Competitive Position Score
Singapore	10
Malaysia	8.8
Thailand	7.3
Indonesia	6.2
Vietnam	5.6
India	5.6

Country	RDAHC Market Attractiveness Score
Singapore	10
Malaysia	7.6
Thailand	4.4
India	3.7
Indonesia	2.8
Vietnam	1.4

Assuming equal rating is given to RDAHC's Relative Competitive Position and Market Attractiveness, the priority market order for RDAHC's South East Asia + India Investment Attraction Strategy is as follows:

Country	Total Score
Singapore	20
Malaysia	16.4
Thailand	11.7
India	9.3
Indonesia	9
Vietnam	7

Following is summary of the broad outputs derived by AsiaAustralis' methodology for prioritising RDAHC's South East Asia +India Investment Attraction Strategy.



Country	Code
Singapore	1
Malaysia	2
Thailand	3
India	4
Indonesia	5
Vietnam	6

Recommended Investment Attraction Strategy

Analysis of the objective data on foreign direct investment into Australia from the six targeted markets in South East Asia and India identifies clear priority investment attraction targets for RDAHC. AsiaAustralis analysis identifies that the priority markets for the broader region should be:

1. Singapore
2. Malaysia
3. Thailand
4. India
5. Indonesia
6. Vietnam

This prioritisation has clearly identified two clear markets of focus for the RDAHC for Investment Attraction, principally Singapore and Malaysia, followed by lower priority markets Thailand, India, Indonesia and Vietnam. There is a large disparity between the six markets, and particularly their propensity to pay and specifically make foreign direct investments into industries and projects within the RDAHC region.

The following summary Investment Attraction Strategy is recommended for the RDAHC and its regions based on the evidence research undertaken for this report including AsiaAustralis' detailed in-market knowledge.

Country Priority	Industry Sectors	Potential Investment Targets (Examples Only)
Priority #1 - Singapore	Commercial Real Estate Tourism/Resort Development Food and Wine Agriculture/Agribusiness Infrastructure	Major Investment Facilitators: • Temasek • GIC Real Estate • Macquarie Capital • Arcapita • Freehills Lawyers • Loyens & Loeff • Oxley Capital • Standard Chartered Bank • Citibank Private Bank • Colliers • Jones Lang LaSalle • Och-Ziff Singapore
Priority #2 - Malaysia	Commercial Real Estate	• SP Setia • EcoWorld • Gamuda Land • UEM Group
	Tourism/Resort Development	• Pacific Challenge • KFM
	Food and Wine	• Dole International • Pacific Food Products
	Agriculture/Agribusiness	• Dole International • Rush Group Malaysia
	Infrastructure	• Gamuda

Competitively, South Australia (and the RDAHC region) is coming from a weak position in terms of profile and attracting foreign investment into major development and industry projects. Critical issues from a process perspective are:

- No in-market profile or marketing strategy.
- Perceived attractiveness of Sydney and Melbourne (and Brisbane to a lesser extent) for investment compared with Adelaide and its regions.

In addition to the above strategic focus, it is recommended that the RDAHC undertake the following as key elements of its Investment Attraction Strategy:

- Gaining a better understanding of the investment objectives and investment criteria of major fund advisers and investors by collaborating with Singaporean investment advisers and Singaporean/Malaysian investors.
- Maintaining adviser/investor relations through an appropriate communications strategy and information database independent of personnel changes.
- Packaging and positioning a portfolio of RDAHC projects and incentives for consideration by advisers and investors.
- Offering supporting infrastructure and facilitation services to foreign investors that eliminate or minimises investment hurdles such as planning requirements and government approvals.
- Generally raising the profile of the RDAHC region and its attractiveness as an investment destination with the Singaporean and Malaysian based investment community.

The RDAHC Investment Attraction Strategy could be implemented in collaboration with the South Australian Government Commercial Representative in Malaysia, or independently and in collaboration with selected Singaporean and Malaysian organisations. The latter is the preferred approach (with involvement of the Commercial Representative) as engaging with private sector organisations that will commercially benefit from investment transactions provides the incentive for a successful strategy.

The implementation of this Investment Attraction Strategy around Singapore's financial connections and Singaporean/Malaysian investors must recognise and consider the structure of sources of foreign investment.

Market intelligence, that is possible sources of investment and associated investment criteria, will come from four principal foreign investment sources:

- Singapore and Malaysian Government owned enterprises
- Private investment funds
- Pension funds
- Local corporates

The identification of opportunities to source foreign investment from these sources relies on the formation and maintenance of strong commercial partnerships with the entities recommended in the above strategy. It also requires the communication of opportunities for investment in RDAHC projects and the promotion of compelling business cases for specific investment opportunities.

In order to effectively implement this investment attraction strategy, supporting infrastructure must be firmly established and be independent of personnel changes. This includes investor information and their specific information needs along with investment facilitation services. Investor information includes the sourcing and maintaining of relevant information on both the supply and demand sides of the strategy i.e.: prospective investor details and projects meeting their investment criteria. Information must be easily and immediately accessible as investors and their agents often have strict deadlines and require quick response times. There are generic information needs that will be sought by most investors that should form a part of the profiling and promotion of the RDAHC region (e.g.: infrastructure availability, socio-economic trends, etc.) and there will be specific investor criteria needs that will need to be addressed in relation to specific projects (e.g.: development plans, environmental compliance requirements, available services, etc.).

In terms of facilitation services, supporting infrastructure should include both government and private sector services. Dedicated resources should be available to facilitate the investor's passage through government planning and approval processes, and arrangements should be in place to ensure that investors have ready access to advice on investment vehicles and the structuring of investments to maximise the benefits and returns to the investor (e.g.: legal and taxation advice).

In conclusion, it is an opportune time to be promoting investment to the Singaporean and Malaysian investment communities. Despite the recent global financial crisis, there is renewed interest in Australian investment projects and new sources of capital become especially important at a time when other funding sources in Australia are becoming difficult to secure. A Singaporean/Malaysian focussed investment attraction strategy is also consistent with South Australia's SE Asia Strategy.

Finally, a successful investment attraction strategy based around the Singaporean/Malaysian investor community will require the commitment of human and financial resources. Most importantly it is recommended that RDAHC:

- Ensure that it has an initial package of investment projects large and interesting enough to attract the interest of the Singaporean and Malaysian investment community.

- Ensure that the RDAHC has the information management systems in place to facilitate the management of intermediaries and their associated requirements for rapid responses to requests for additional information.

Asia Australis is able to facilitate access to key facilitators/investors should RDAHC require further assistance.

2.0 Introduction and Project Objectives

AsiaAustralis has been engaged by the RDA Adelaide Hills, Fleurieu and Kangaroo Island (RDAHC) to prepare a South East Asian Investment Attraction Strategy for the region.

The objective of this project has been to develop an **Investment Attraction Strategy** for RDAHC with a specific focus on the following markets:

- Malaysia
- Singapore
- Indonesia
- India
- Thailand
- Vietnam

The Strategy has been developed based on secondary desktop research and the experience that AsiaAustralis has in these priority target markets. Based on evidence research, the Strategy prioritises the above markets by industry based on an assessment of the following key issues:

The **Market Attractiveness** of the nominated markets based on a range of variables including, <u>for example</u>:

- Key socio-economic data and trends including, for example, GDP per capita, international investment and growth forecasts, Australian investment, etc.
- The ASEAN Economic Community and relevant FTA's.
- The respective country regulatory environments.
- Ability to invest in regional industries and to raise services and export capability.

RDAHC's **Relative Competitive Position** also based on a range of variables including, <u>for example</u>:

- Existing regional industry strengths and attractiveness of potential investment opportunities.

- Evidence of existing investment attraction, and where industry has explicitly expressed desire for Government action.

- Existing government-to-government links that might be leveraged.

- Existing private sector networks that might be leveraged.

- Existing Government strategic international relationships and partnership/links programs.

- Existing trade relationships and evidence of trade.

- Existing industry investment plans.

- Established Australian market participants.

The key outcome from the Strategy is the prioritisation of the nominated countries for future investment attraction activities, incorporating priority industry sectors for the sub-regions of the RDA (e.g. Adelaide Hills, Fleurieu and Kangaroo Island) and recommended target in-country corporates and other organisations for implementation of the Investment Attraction Strategy. AsiaAustralis has used its current global market knowledge and experience to undertake this project on behalf of the RDAHA and its community stakeholders.

3.0 RDA Adelaide Hills, Fleurieu and Kangaroo Island

Regional Development Australia Adelaide Hills, Fleurieu and Kangaroo Island (RDAHC) was established as a partnership between the commonwealth, state and local governments.

> *"Regional Development Australia (RDA) is a partnership between the Australian, state and local governments to support the growth and development of Australia's regions. RDA committees will build partnerships between governments, regional development organisations, local businesses, community groups and key regional stakeholders to provide strategic and targeted responses to economic, environmental and social issues affecting the regions of Australia."*[1]

The RDAHC has a responsibility and commitment to developing and growing the 'Hills & Coasts' region by engaging in the following activities:

- Consult and engage with the community on economic, social and environmental issues, solutions and priorities.
- Liaise with governments and local communities about government programs, services, grants and initiatives for regional development.
- Contribute to business growth plans and investment strategies, environmental solutions and social inclusion strategies in their region.

RDAHC has taken a leadership role within the community to develop investment attraction strategies which will have a discernable impact on international engagement and regional development. RDAHC has been working in collaboration with Invest SA, Austrade, PIRSA and a number of local financial institutions to develop investment attraction strategies throughout Asia. RDAHC has developed a range of in-market connections with investment bankers, commercial lawyers, trade and industry groups as well as state agencies across Asia, and specifically in China.

The RDAHC has committed to developing "*a portfolio of public and private investment opportunities; a range of partners and collaborators here and overseas to promote these prospects; a series of visits and presentation to highlight developments, and this will be supported with a range of tools to assist proponents in preparation of proposals.*" The first stage of this project has been to focus upon the investment attraction opportunities in China, with this second stage of the project to look more broadly across Asia to targeted markets in South East Asia and India. This project has been supported by the South Australian government and is a key economic development focus for the near future in this region.

[1] http://www.rdahc.com.au/

4.0 Foreign Investment Review Board Regulations[2]

The Foreign Investment Review Board assesses foreign investment in Australia, however there are different stipulations depending upon the industry and category. The Australian Government assesses foreign investment proposals to ensure they are not contrary to Australia's national interest. Investment proposals to acquire an interest of 20 per cent or more in any business valued at over $252 million (or the higher threshold of $1,094 million for agreement country investors from Chile, China, Japan, Korea, New Zealand and the United States) require prior approval.

All foreign government investors (including Chinese State Owned Entities) require approval to acquire a direct interest in an Australian entity or an Australian business or to start a new Australian business, regardless of the value of the investment ($0 threshold). The Australian Treasurer can prohibit foreign investment proposals found to be contrary to the national interest, or can impose conditions on an investment to address national interest concerns.

4.1 Agribusiness

Investments proposed into Australian agribusiness require approval where the value of the investment is more than ***$55 million***, with an exemption applying to investors from (some) Australia's trade agreement partners and a $0 threshold applying to Foreign Government investors. Specifically the regulations stipulate:

- When an agribusiness investment requires prior approval, which is where the investment is a 'notifiable action' under the *Foreign Acquisitions and Takeovers Act 1975* (Act) and associated instruments. To be a notifiable action:
    - the investment meets the threshold test; and
    - the investment is the acquisition of a *direct interes*t in an Australian entity or Australian business that is an agribusiness.
- Other relevant information pertaining to approvals, such as the fees payable for agribusiness investments, the penalties applying for non-compliance and links to further information.

[2] Australian Foreign Investment Review Board – www.firb.gov.au

The regulation defines an Australian entity or Australian business to be an agribusiness when the following two circumstances are met. An Agribusiness is defined in legislation as:

1. The Australian entity or Australian business uses assets in carrying on a business wholly or partly, in any of the following industries:

    - any class of Division A – Agriculture, Forestry and Fishing;
    - Meat processing;
    - Poultry processing;
    - Seafood processing;
    - Milk and cream processing;
    - Cheese and other dairy product manufacturing;
    - Fruit and vegetable processing;
    - Oil and Fat manufacturing;
    - Grain mill product manufacturing; and
    - Sugar manufacturing.

2. Either:

    - For an Australian entity:

        - the value of the assets of the entity and subsidiaries of the entity, used in carrying on an agribusiness exceeds 25 per cent of the total asset value of the entity; or

        - the earnings before interest and tax derived by the entity and its subsidiaries in the above classes in the most recent financial year for which there are audited accounts, exceeds 25 per cent of the total earnings for the entity.

    - For an Australian business, the value of the assets of the business used in carrying on an agribusiness exceeds 25 per cent of the value of the total assets of the business.

Proposed investments in agricultural land require approval where the cumulative value of a foreign person's agricultural land holdings exceeds $15 million, with exceptions applying to investors from Australia's trade agreement partners and a $0 threshold applying to Foreign Government investors.

All acquisitions of interests in agricultural land by foreign persons regardless of whether they require approval and regardless of value must be notified to the Australian Taxation Office Register of Foreign Ownership.

4.2 Thresholds for Agribusiness Investments

The applicable threshold value depends on the nationality of the foreign person and whether or not the foreign person is a foreign government investor as follows:

- For *foreign government investors*, a $0 (nil) threshold applies.

- For *non-foreign government investors (except those from Chile, New Zealand and the United States)*, a $55 million threshold based on the value of the investment applies. To meet the threshold test, the total of the consideration for the acquisition and the total value of the other interests held by the person (and their associates) in the entity or business or previously acquired from the entity or business are more than $55 million.

4.3 Thresholds for Agricultural Land Investments

The applicable threshold value depends on the nationality of the foreign person and whether or not the foreign person is a foreign government investor.

- For *foreign government investors*, a $0 (nil) threshold applies.

- For *non-foreign government investors (except those from Chile, New Zealand, Singapore, Thailand and the United States)*, a cumulative $15 million threshold applies. To meet the cumulative threshold, the total value of all interests in agricultural land in Australia held by the foreign person (and their associates) and the consideration for the acquisition of the interest in the agricultural land is more than $15 million.

Significant and notifiable actions in Australia's foreign investment framework that are specific to agribusinesses do not apply to non-foreign government investors from Chile, New Zealand and the United States (see section 40 of the *Foreign Acquisitions and Takeovers Regulation 2015* (Regulation)). Investors from these countries are subject to the requirements for significant and notifiable actions for general business acquisitions (for which the threshold for these countries is $1,094 million). ***It should be noted that this allowance is not applicable to Chinese investors.*** A direct interest in an entity or business is defined in section 16 of the Regulation to mean:

- an interest of at least 10 per cent in the entity or business;

- an interest of at least 5 per cent in the entity or business if the person who acquires the interest has entered a legal arrangement relating to the businesses of the person and the entity or business; or

- an interest of any percentage in the entity or business if the person who has acquired the interest is in a position to: (a) participate or influence the central management and control of the entity or business; or (b) influence, participate or determine the policy of the entity or business.

The thresholds for agricultural land and the agricultural land significant and notifiable action framework do **not** apply to specified non-foreign government investors (that is, investors from Chile, New Zealand, Singapore, Thailand and the United States).). ***It should be noted that this allowance is not applicable to Chinese investors.***

- In such cases, the framework applying to other types of Australian land such as commercial land and residential land still applies where the land in which the interest to be acquired is both agricultural land and another type of Australian land.

- When working out if a target entity is a land entity, investors from these countries may disregard interests in land that are used wholly and exclusively for a primary production business. If the action is another type of significant action or notifiable action under Australia's Foreign Investment Framework this will still apply (for example, acquiring a substantial interest in an Australian entity above the applicable threshold).

- For *Singaporean and Thai investors* who propose to acquire land which is being used wholly and exclusively for a primary production business, it is a notifiable and significant action if the land is valued at more than $50 million.

4.4 Integrated Tourism Developments

An integrated tourism development, or resort, is a development that holds a mix of accommodation, recreation and commercial facilities that has been planned and constructed by a single developer on single or adjoining sites within a well-defined area. The development would normally include a hotel or hotels that supply a substantial amount of the total accommodation, as well as extensive recreational facilities such as swimming pools, gyms, sporting facilities within the boundaries of the resort. Integrated developments might also host commercial zones for retail, restaurants and entertainment facilities.

Special rules for foreign purchases of dwellings in an Integrated Tourism Resort (ITR) category were introduced in 1991 to enable tourism developers and large hotel operators to sell residential dwellings within a development to foreign persons without the need for foreign persons to seek individual foreign investment approval. The exemption only applied to resorts that were designated as ITRs by the Government and were designed to support the financial viability of tourism developments.

In September 1999 the Government made changes to this exemption category and has since made changes to the foreign investment framework that allows new developments to achieve a similar treatment without the need for an ITR designation. The Government has not designated a new ITR in around 10 years.

4.5 New Tourism Developments from 1 December 2015

The Act provides mechanisms for developers to sell dwellings in new integrated tourism developments to foreign persons on the same basis as resorts which were ITRs since September 1999. Property developers can apply for an exemption certificate to sell new dwellings in a specified development to foreign persons, without each foreign person purchaser being required to seek their own foreign investment approval (similar to what has previously been known as an 'advanced off-the-plan' certificate). The new dwelling exemption certificate will be granted on condition that the dwellings for sale in the development are marketed in Australia (developers can also choose to market the development overseas if they wish). Applications for a new dwelling exemption certificate are subject to fees.

Established dwellings that are commercial residential premises (e.g. dwellings that are available for lease as part of the resort hotel) are able to be sold to foreign persons without the foreign person requiring individual foreign investment approval provided that:

- the value of the dwelling does not exceed the notification threshold for developed commercial land (normally $252 million); and
- the dwelling remains a commercial residential premise (that is, available for lease as part of the resort hotel when not being occupied by the owner).

4.6 Mining

Foreign persons may require approval to acquire an interest in a tenement or the underlying land used to carry on a mining operation. Whether foreign investment approval is required can depend on a range of factors including:

- The type of tenement.
- Who the interest in the tenement is being acquired from.
- Whether the foreign person is a foreign government investor.
- The type of underlying land.
- The value of the interest being acquired.

4.7 Exploration Tenements

The *Foreign Acquisitions and Takeovers Regulation 2015* (Regulation) provides that an exploration tenement means a right under a law of the Commonwealth, a State or a Territory to recover minerals (such as coal or ore), oil or gas in Australia or from the seabed or subsoil of the offshore area for the purposes of prospecting or exploring for minerals, oil or gas. It also includes a right that preserves such a right, a lease under which the lessee has such a right or an interest in such a right or an interest under such a lease.

While the terms of an exploration tenement will vary by jurisdiction and the type of exploration tenement, they generally will be for a set period and will allow for activities including sampling, testing, drilling, surveys and prospecting. Acquisitions of interests in an exploration tenement by foreign persons are generally not notifiable and significant actions, regardless of the value of the tenement and who it is acquired from as follows:

- An exploration tenement is generally not considered an interest in Australian land under the foreign investment framework. However, each tenement confers different rights and obligations. If the exploration tenement at the time of acquisition is reasonably likely to exceed five years (including any extension or renewal) and confers the holder with a right to occupy the underlying land, the acquisition of that interest in the land may be a notifiable action and significant action depending on the type of land (for example, agricultural land or commercial land), whether it is being acquired directly from an Australian government or not, and the value of the interest in the land.

A mining or production tenement is defined as:

- A right (however described) under a law of the Commonwealth, a State or a Territory to recover minerals (such as coal or ore), oil or gas in Australia or from the seabed or subsoil of the offshore area, other than a right to recover minerals, oil or gas for the purposes of prospecting or exploring for minerals, oil or gas.

- A right preserving a right as defined above.

- A lease under which the lessee has a right mentioned above.

- An interest in a right or lease mentioned above.

Under the foreign investment framework, a mining or production tenement is a type of Australian land. Acquisitions of interests in a mining or production tenement by foreign persons are notifiable and significant actions (regardless of the value — that is, a $0 threshold applies), except if acquired directly from an Australian government or as follows:

- For acquisitions by relevant agreement country investors (Chile, New Zealand and United States investors), the threshold is $1,094 million.

Mining companies both offshore and onshore may be an Australian land corporation. The acquisition of the securities in such an entity will be a notifiable action and significant action, unless otherwise exempt.

In addition to the above requirements, any acquisition of a legal or equitable interest in a mining, production or exploration tenement by a foreign government investor (or a SOE which many of the largest Chinese companies qualify) is a notifiable and significant action, regardless of value as follows:

- Acquisitions include when an existing tenement is being converted to a different tenement such as an exploration tenement being converted to a mining tenement.

- It also includes interests in tenements acquired directly from an Australian government (for example, when the exploration tenement or permit is being issued).

The acquisition of an interest of at least 10 per cent in securities in a mining, production or exploration entity is also a notifiable and significant action, regardless of value.

- A mining, production or exploration entity means an entity where the total value of legal or equitable interests in tenements held by the entity, or any subsidiary of the entity, exceeds 50 per cent of the total asset value for the entity.

A summary of threshold values for foreign investment in land proposals is contained in Table 2 below:

Table 2: Threshold Values — Land Proposals

Foreign person	Action	Value of the proposed investment (AUD)
All foreign persons	Residential land	$0
Privately owned investors from FTA partner countries[(a)] that have the higher threshold	Agricultural land	For Chile, New Zealand and United States, $1,094 million
		For China, Japan, Korea, $15 million (cumulative)
	Vacant commercial land	$0
	Developed commercial land	$1,094 million
Privately owned investors from non-FTA countries and FTA countries that do not have the higher threshold	Agricultural land	For Singapore and Thailand, where land is used wholly and exclusively for a primary production business $50 million (otherwise the land is not agricultural land)
		Others, $15 million (cumulative)
	Vacant commercial land	$0
	Developed commercial land	$252 million
		Low threshold land (sensitive land)[1], $55 million
Foreign government investors	Any land[(b)]	$0

a. Agreement country investors are Chilean, Chinese, Japanese, New Zealand, South Korean and United States investors, except foreign government investors.

b. Interests in Australian land, a legal or equitable in interest in a tenement, or an interest of at least 10 per cent in securities in a mining, production or exploration entity.

5.0 South East Asia in Context

South East Asia has undergone substantial urbanisation over the past 50 years, which has accelerated in the past decade, and has been one of the principle drivers of economic growth across the region. This growth in urbanization is reflected in the movement of Thailand, Malaysia, and Brunei from low – income economies to middle income economies. In Malaysia real GDP per capita at purchasing power parity (PPP) grew 3.4 percent annually from 1990 to 2010 as the urban share of the population increased from 50 percent to 72 percent. It is estimated that approximately 81 million households in South East Asia are part of the middle class. Urbanization is continuing to drive growth in South East Asia with conservative estimates of the middle class forecast to reach more than 160 million households by 2030. This dramatic income shift will spur demand for a wide range of goods and services, and has also seen the substantial growth of South East Asian companies, and their appetite to invest that growth in international markets such as Australia.

The Association of South East Asian Nations (ASEAN), a political and economic regional grouping in South East Asia. It comprises member states of Singapore, Malaysia, Indonesia, Thailand, Brunei, Philippines, Vietnam, Laos, Cambodia and Myanmar (Burma). This section of the report explores the broader ASEAN market and the trade and investment rules that affect South Australia when seeking to attract investment from ASEAN member countries, such as Indonesia, Malaysia, Vietnam, Thailand and Singapore. This section also explores investment linkages with India. Specifically this section looks at the AANZFTA Treaty and the ASEAN Economic Community, before looking at the specifics of individual member countries. Regional integration across South East Asia has provided ASEAN based multi-national corporations (MNC's) opportunities to achieve greater economies of scale and to grow substantial financial resources from which to invest more broadly.

5.1 ASEAN Economic Community

The Association of South East Asian Nations (ASEAN) agreed to move towards greater economic integration in 2009 through the reduction of tariff and non-tariff measures between the ten member states. This agreement sought to establish the ASEAN Economic Community by 2015, and was modelled to some level on the European Community model of economic integration of the early 1990s (prior to the political integration arising from the establishment of the EU). The ASEAN Economic Community areas of cooperation include human resources development and capacity building; recognition of professional qualifications; closer consultation on macroeconomic and financial policies; trade financing measures; enhanced infrastructure and communications connectivity; development of electronic transactions through e-ASEAN; integrating industries across the region to promote regional sourcing; and enhancing private sector involvement for the building of the AEC. The ASEAN Economic Community (AEC) seeks to eliminate customs duties on most intra-ASEAN trade.

There have been substantial improvements in the level of reduction in internal tariff reduction for intra-ASEAN trade, and this positive tariff effect has resulted in some Australian based companies establishing some in-market operations to take advantage of the preferential trade arrangements between ASEAN member states. If the AEC can be implemented as intended, it could expand economies of scale for investors in Southeast Asia and lead to a more efficient allocation of resources. There are however concerns about the level of Non-Tariff Measures (NTM). These internal domestic regulatory barriers have replaced tariffs as protective measures for domestic industries. This is particularly a concern as the global production networks of multinational companies in the region drive a majority of Intra-ASEAN trade. It is important to consider the benefits of the ASEAN Economic Community regional economic integration process when viewed in conjunction with the ASEAN Australia New Zealand Free Trade Agreement (AANZFTA), which provides Australian companies preferential access to export markets in ASEAN[3].

5.2 ASEAN - ANZ Free Trade Agreement (AANZFTA)

ASEAN trade with Australia has grown by an average annual rate of 10% over the first decade of the 21st Century[4]. South East Asia is at the nexus of world trade and strategically located between China and India. This location advantage provides an opportunity for South Australian companies to leverage global supply chains to gain increased access to the other South East Asian markets, and beyond to Chinese and Indian markets.

The ASEAN – Australia and New Zealand Free Trade Agreement (AANZFTA) was the first comprehensive free trade agreement signed by ASEAN, and creates one of the largest free trade zones in the world, covering approximately 600 million people (Indonesia, Malaysia, Singapore, Thailand, Vietnam, Philippines, Laos, Burma, Cambodia and Brunei). AANZFTA was ratified and came into force in 2010, and resulted in development of a common market area, which allowed freer movement of goods between signatory states including, for example, Australia and Philippines. The economic and trade effects of AANZFTA between Australia and ASEAN have been reductions in tariff and non-tariff barriers. AANZFTA has resulted in progressively lower tariffs on most goods exported within the trade area. The effect of this agreement on trade includes[5][6]:

- Covers all sectors, including goods, services, investment and intellectual property.
- Opens up opportunities for access to global supply chains in South East Asia with Regional Rules of Origin (ROO) ensuring that products made in one ASEAN country, and containing Australian component parts will retain preferential trade status within the AANZFTA zone.

[3] http://www.dfat.gov.au/fta/aanzfta/Making-use-of-AANZFTA-to-export-or-import-goods.pdf
[4] http://www.dfat.gov.au/fta/aanzfta/factsheets/fact_sheets.pdf (accessed Dec 23rd 2014)
[5] http://www.dfat.gov.au/fta/aanzfta/Making-use-of-AANZFTA-to-export-or-import-goods.pdf (accessed Dec 23rd 2014)
[6] 2009, "CUSTOMS AMENDMENT (ASEAN-AUSTRALIA-NEW ZEALAND FREE TRADE AGREEMENT IMPLEMENTATION)" Parliament of the Commonwealth of Australia

- Trade liberalisation in AANZFTA goes beyond the commitments made by ASEAN countries in the Doha Round of WTO negotiations.

- Preferential reductions in the high tariffs in the automotive, steel, chemical and plastics and processed food sectors.

- Rules of origin that allow for further integration with the ASEAN supply chains.

- Elimination of differential excise taxes which affect Australian exports.

- Removal of non-automatic import licensing (including for steel and passenger motor vehicles).

- Improvements in transparency of customs administration.

AANZFTA has the broad effect of reducing the effective tariff barrier to trade for Australian companies into the member states of ASEAN. The effect is a gradual reduction to zero tariff across the majority tariffs (on product) lines in most ASEAN jurisdictions. AANZFTA has the effect of providing improved access and certainty in ASEAN markets which has the potential of being commercially significant for the Australian companies, particularly Indonesia, Philippines, and Vietnam, where Australia does not currently have bilateral Free Trade Agreements in effect[7]. There are further opportunities for Australian Industry in the other ASEAN markets such as Vietnam where AANZFTA has built upon the 2006 bilateral settlement agreed with Vietnam as part of its WTO accession. Although modest in overall trade, Australian Industry trade with Brunei and ASEAN's three Least Developed Countries (Burma, Cambodia and Laos) has been growing especially investment in the mining and resource sectors.

The main effect of AANZFTA on South Australia has been to create increased opportunities for exports of products and services directly to markets in the ASEAN region. The agreement does not however go directly to the many non-tariff barriers and regulatory hurdles that inhibit investment and market engagement in specific markets such as Malaysia, Indonesia, and Thailand. There is an expectation that bi-lateral free trade agreements and comprehensive economic partnership agreements with countries such as Malaysia and Indonesia will address many of these Non-Tariff Measure (NTM) barriers to trade[8].

[7] 2009, "CUSTOMS AMENDMENT (ASEAN-AUSTRALIA-NEW ZEALAND FREE TRADE AGREEMENT IMPLEMENTATION)" Parliament of the Commonwealth of Australia

[8] http://www.dfat.gov.au/fta/aanzfta/Making-use-of-AANZFTA-to-export-or-import-goods.pdf

This agreement provides a good foundation for attracting investment into Australia and specifically the Adelaide Hills, Fleurieu and Kangaroo Island region as a way of building access to the supply chains in South East Asia. The large South East Asian based food consolidators, manufacturers, and service providers are actively looking for opportunities to invest backwards into the supply chain in Australia to bring favourable new products into these growth markets in South East Asia. As a consequence there will be opportunities for the RDA Adelaide Hills, Fleurieu and Kangaroo Island to target these companies for investment.

5.3 Trans-Pacific Partnership Agreement (TPP)

The Trans-Pacific Partnership Agreement (TPP) is one of the largest global free trade agreements currently under negotiation, and provides a tangible trade and investment integration in the Asia-Pacific. The Asia-Pacific region is a key driver of global economic growth. Close to half of all global trade, and around 70 per cent of Australia's trade, flows through the region. There are currently 12 parties negotiating the TPP (Australia, United States, New Zealand, Japan, Singapore, Canada, Malaysia, Brunei, Vietnam, Chile, Peru and Mexico). Five of the negotiating parties for the TPP were among Australia's top 10 trading partners for goods and services in 2013-14 (United States – 2, Japan – 3, Singapore – 4, Malaysia – 7 and New Zealand – 10). In addition, five of these countries were among the top ten destinations for outward Australian investment in 2013 (United States – 1, New Zealand – 3, Canada – 5, Japan – 6 and Singapore – 8). Australia's participation in the TPP negotiations has the opportunity to strengthen trade and investment relationships with these key partners. Conclusion of the TPP would open new trade and investment opportunities for Australia in the Asia-Pacific region, further integrate our economy in this fast growing region, and promote and facilitate regional supply chains.

Key points of interests and benefits negotiated include:

- The TPP has the potential to strengthen economic links between economies in the Asia-Pacific region based on common rules for trading. It is in Australia's interests to be involved in order to shape the direction of the initiative.

- The TPP will provide new opportunities for Australian goods to be used in manufacturing and production processes in the region.

- Australia does not have existing trade agreements with a number of the current TPP parties (Canada, Peru, and Mexico). The TPP could provide Australian exporters of goods and services with increased access to these new markets. The TPP could also build on the FTAs Australia has concluded by providing additional access for Australian goods and services into those TPP countries.

- The TPP provides an opportunity to benefit Australia's significant services sector, through enhanced access for service suppliers involved in education, legal, financial, mining and agricultural services.

- The TPP will provide substantive outcomes on electronic commerce which will benefit consumers and businesses.

- Negotiators are examining a set of new issues not traditionally included in free trade agreements such as:

  - How to ensure the benefits of this agreement extend to small and medium-sized enterprises.
  - Strengthening regulatory coherence among parties.
  - Promoting economic development.
  - Promoting transparency of new laws and regulations.

- The provisions on Technical Barriers to Trade (TBT) in the TPP aim to ensure that regulations, standards, testing and certification procedures do not create unnecessary obstacles to trade.

The TPP has so far been under negotiation for more than 8 years, in various guises, however, full agreement was reached with all 12 negotiating economies in October 2015. There have been many contentious issues that have been raised by the public about this trade agreement, however until the final details of the agreement are released the full benefits, opportunities and threats will not be known. Analysis of existing information on the TPP suggests there are more positives for Australian professional services, health and aged care goods, technologies and services companies in this treaty than currently exists. This multi-lateral treaty is likely to provide similar investment attraction benefits in Australia for countries from this grouping, specifically some of the target countries such as Singapore, Malaysia and Vietnam which have been leading members of this treaty and have much to gain from improved investor allowances for their companies.

5.4 Regional Comprehensive Economic Partnership (RCEP)

The Regional Comprehensive Economic Partnership (RCEP) is an ASEAN-centered proposal for a regional free trade area, which would initially include the ten ASEAN member states and those countries that have existing FTAs with ASEAN – Australia, China, India, Japan, Republic of Korea and New Zealand. The RCEP will build on and expand Australia's existing FTA with ASEAN and New Zealand, AANZFTA. It will complement Australia's participation in bilateral trade negotiations and in Trans-Pacific Partnership Agreement (TPP) negotiations. It should be noted that Australia has existing bi-lateral trade agreements with 6 of the 16 negotiating countries; Singapore, Malaysia, Thailand, Japan, Korea and China. Additionally Australia is negotiating with India and Indonesia on additional bi-lateral trade agreements. The RCEP has the potential to deliver significant opportunities for Australian businesses. The 16 RCEP participating countries account for almost half of the world's population, almost 30 per cent of global GDP and over a quarter of world exports. The objective of launching RCEP negotiations is to achieve a modern, comprehensive, high-quality and mutually beneficial economic partnership agreement that will cover trade in goods, trade in services, investment, economic and technical cooperation, intellectual property, competition, dispute settlement and other issues.

Key points of interests and benefits being negotiated include:

- RCEP participating countries are important economic and regional partners for Australia.
- Nine out of Australia's top 12 trading partners (China, Japan, ROK, Singapore, New Zealand, Thailand, Malaysia, India and Indonesia) are participating in RCEP negotiations, and together with the other six participating countries, account for almost 60 per cent of Australia's two-way trade, and 70 per cent of Australia's goods and services exports.
- RCEP will provide a basis for more open trade and investment in the region. This will help address concerns about a 'noodle bowl' of overlapping bilateral agreements and derive additional benefits (e.g. through supply chains) from regional trade liberalisation.
- Australia and a number of other countries are engaged both in the Trans-Pacific Partnership Agreement (TPP) and RCEP negotiations – both processes providing possible pathways to a free trade area of the Asia–Pacific.

A comprehensive trade liberalising RCEP would create opportunities for increased Australian exports of meat and dairy products, processed foods and beverages, motor vehicles and other transport equipment, ferrous metals, metal products, chemical, rubber and plastic products, textiles and paper products. Exporters of a wide range of agricultural products could also benefit from greater certainty resulting from the binding of current duty free entry, more effective disciplines on import licensing requirements, elimination of quotas, and enhanced cooperation on food standards. Similarly these export opportunities will provide increased investment attraction opportunities as ASEAN and Indian based companies seek access to the products within the source country.

The RCEP has so far been under negotiations for 4 years and is reportedly progressing positively due to the regional leadership of China. China is using the development of this regional agreement to demonstrate leadership in Asia, and also as a counter weight to the TPP (which China is not included). It should be noted that

China has negotiated recent bi-lateral agreements with NZ, Korea and Australia, and is in negotiations with Japan and India over further bi-lateral trade agreements. These ancillary agreements under negotiation are important in terms of providing impetus for the RCEP to reach agreement across Asia. This agreement has not received the same level of discussion in the media as the TPP, however it has potentially greater relevance and economic impact for Australian exporters due to its focus upon most of our top 10 export partners. This agreement also has the potential of opening trade access to more than 3 billion consumers, making Australia part of the world's largest trade and investment area.

6.0 Country Specific Overviews

AsiaAustralis has analysed the country specific conditions for investment attraction in target countries in South East Asia including Indonesia, Malaysia, Thailand, Singapore, Vietnam, and India. These countries have been selected for in-depth analysis as a consequence of a regional market assessment across Asia. This section provides analysis of the economic conditions that underpin each of the five target markets, followed by a review of any regulatory issues that would affect organisations in the Adelaide Hills, Fleurieu and Kangaroo Island regions from attracting investment from key stakeholders in the target Asian markets.

6.1 India Country Profile

Table 3 – India's Socio Economic Profile[9]

Population	***1251 Million***
Gross Domestic Product per Capita (PPP International US$)	***1504.54***
World Bank Ease of Doing Business Rank (Global ranking from 1 Best – 189 Worst)[10]	***130***
Global Competitive Rank (Global ranking from 1 best – 144 worst)[11]	***55***
Outbound FDI Global Ranking (Global Ranking 1 largest Investor)[12]	***27***
Outbound FDI Total 2011-2015	***US$41.9 Billion***

6.1.1 Key Economic Drivers

India is the world's fourth largest economy with the second largest population behind China at 1.2 billion. Recent strong economic growth has been seen as a demonstration that India is finally emerging as a strong global economy with influence and integrated importance in the Asian region, and more broadly within the global economy. India was a former British colony, which gained independence in the late 1940's and has brought about a landmark agricultural revolution transforming the nation from chronic dependence on food imports into a global agricultural powerhouse that is now a net exporter of food. The World Bank identifies the successful changes that India has implemented as including "*Life expectancy has more than doubled, literacy rates have quadrupled, health conditions have improved, and a sizeable middle class has emerged. India is now home to globally recognized companies in pharmaceuticals and steel and information and space technologies, and a growing voice on the international stage that is more in keeping with its enormous size and potential*". The evolution of the Indian economy is unleashing new opportunities for India, including having the largest and

[9] Schwab, K, 2016, "The Global Competiveness Report 2015-16", World Economic Forum.
[10] World Bank 2014, "Doing Business 2014; understanding regulations for small and medium sized enterprise", World Bank, 11th Edition
[11] Schwab, K, 2014, "The Global Competiveness Report 2015-16", World Economic Forum
[12] Source: ©UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics).

youngest workforce in the world. India is also confronting the challenges of mass urbanisation that has effected China and other Asian economies in the past three decades. This mass urbanisation is the largest rural-urban migration of the 21st century.

India is a former British colony and because of these colonial relationships, there is a strong trade relationship with Europe and the US. World Bank economic assessments characterises India as a Lower Middle Income country, with the largest population in South Asia, with more than 1.2 billion people[13]. The Indian economy has strongly and consistently been growing since 2001, with average GDP growth rates between 5 - 9% since 2005. This strong economic growth contributed to the growth in the size of the middle class in India. India has also been rated as the 71st ranked country in the World Economic Forum "Global Competitiveness report 2014-15", which is well below Asian economies including Singapore, Hong Kong, China, Indonesia, Malaysia and Thailand[14]. India has a domestic consumer based economy driven in large part by domestic spending, and fundamentally supported by the domestic services sector, which accounts for more than 50% of economic activity. The strength of the domestic economy has allowed India to avoid much of the negative growth that effected economies in North America and Europe during the height of the Global Financial Crisis. India has emerged as a centre for service delivery, as a consequence of the British colonial heritage and strong English language skills of the population. Key economic drivers in India responsible for the continuing growth of industry include:

- Population growth
- Rising GDP
- Rising incomes
- Improved services accessibility

6.1.2 Regulatory Environment

The Australian and India Governments have been negotiating a Comprehensive Economic Cooperation Agreement between Australia and India since May 2011. There have now been seven rounds of negotiations, the most recent of which was held in early 2015. The Department of Foreign Affairs and Trade while undertaking these negotiations is seeking public submissions on what industry would like to see in any formal agreement reached. Key interests and benefits that are expected to come from any FTA include[15]:

- A comprehensive agreement would assist in broadening the base of merchandise trade by addressing tariff barriers and behind the border restrictions on trade in goods.

[13] Source: Worldbank.com
[14] Schwab, K, 2013, "The Global Competiveness Report 2013-14", World Economic Forum
[15] Department of Foreign Affairs and Trade

- There is significant potential to expand trade in services between India and Australia. An FTA could facilitate growth in services trade by reducing barriers faced by Australian service suppliers and by increasing regulatory transparency.

- An FTA could facilitate and encourage investment by reducing barriers, increasing transparency and enhancing investment protections.

One of the major regulatory concerns that exists for many international companies when operating in the Indian market is control and protection of intellectual property. The TRIPS[16] treaty broadly provides provisions for international companies to ensure that intellectual property is protected from being acquired and used without compensation. India is regarded as a 'Developing Economy' and as such had some preferential allowances when it comes to Intellectual Property rights. India was against much of the protections provided under TRIPS.

6.1.3 Indian Investment in Australia

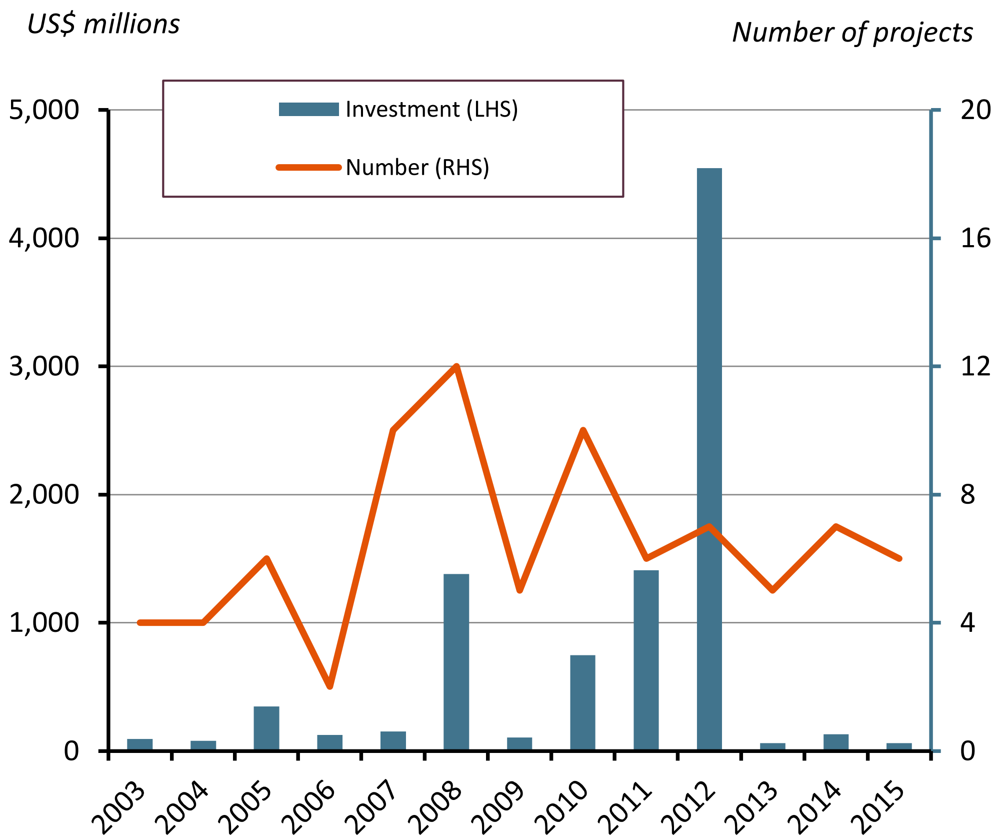
Australia's investment relationship with India is still comparatively small compared to investment from China, however this is changing, and there is an expectation in the Australian government that Indian investment in Australia will continue to grow. Indian conglomerates are increasingly making strategic investments around the world, which in recent years has seen companies such as Tata, acquire the Jaguar Land Rover automotive business, and Adani Group seek major investment into Australian Coal. Austrade describes the opportunity for Indian investment in Australia in the following manner[17]:

> *"India is tipped to replace China as the largest source of new multinationals in the emerging world from 2018, and is predicted to become the third 'global economic giant' by 2050. Indian investment into Australia has grown rapidly over a relatively short period. According to the Australian Bureau of Statistics, the total stock of Indian investment grew from A$609 million to A$10 billion between 2006 and 2012. In 2010-11, the Foreign Investment Review Board approved Indian investment worth A$11.3 billion, of which A$8.9 billion was in the resources sector."*

16 Trade Related Aspects of Intellectual Property Rights

17 Austrade

Table 4 - India: Announced FDI Projects in Australia



Indian investment in Australia has not grown at the same rate of investment in Australia as many other Asian economies in the recent past. India has relatively low investment stock in Australia, and is currently ranked as the 23rd largest foreign investor in Australia as of 2015. Much of the focus of Indian investment in Australia has been focused on only a handful of investment projects. This is an important distinction when compared to US, Chinese, Malaysian and UK investments in Australia, which are diversified and involve multiple projects each year. Indian investment into Australia has been relatively stagnant since 2010, when it reached $11 billion in foreign investment in Australia, while in the six years to 2015 it has remained around the $11 billion of total investment in Australian assets.

6.2 Indonesia Country Profile

Table 5 – Indonesia's Socio Economic Profile[18] [19]

Population	***248 Million***
Gross Domestic Product per Capita (PPP International US$)	***US$3509.82***
World Bank Ease of Doing Business Rank (Global ranking from 1 Best – 189 Worst)[20]	***114***
Global Competitive Rank (Global ranking from 1 best – 144 worst)[21]	***34***
Outbound FDI Global Ranking (Global Ranking 1 largest Investor)[22]	***30***
Outbound FDI Total 2011-2015	***US$33.1Billion***

6.2.1 Key Economic Drivers

The Indonesian economy has demonstrated strong and consistent growth of between 5-6% GDP since 2001. This stable growth has seen corresponding growth in the size of the middle class in Indonesia, McKinsey Global Institute estimated the size of the Indonesian consuming class in 2012 was 45 million and growing[23]. Economic growth in Indonesia has been more stable, and less volatile than any other OECD country or BRICS countries (Brazil, Russia, India, China, and South Africa). Indonesia has also been rated as the 34th ranked country in the World Economic Forum "Global Competitiveness report 2014-15", which is higher than Brazil and India, and comparable to Malaysia, Thailand and China to name a few similar emerging or regional economies[24]. Indonesia has a domestic consumer based economy driven in large part by domestic spending, which helped the Indonesian economy avoid much of the negative growth that effected economies in North America and Europe during the height of the Global Financial Crisis.

Indonesia is developing into an urbanized economy, with 53% of the population living in urban areas in 2014, with an estimated 71% to be living in urban areas by 2030[25]. As a result there is the rapid development of new middle-sized cities throughout the Indonesian Archipelago with the majority of the population in the middle islands, most large cities will be located in Java, Sumatra, Kalimantan and Bali. As an example of the centralized economic concentration in Indonesia, a snapshot of regional GDP as a percentage of the national GDP in the first quarter of 2012 showed that 57.5% of the country's total GDP came from Java and 23.6% from Sumatra, while only 2.2% came from Maluku and Papua combined[26]. Many of the regional cities in these islands are

[18] Schwab, K, 2014, "The Global Competeviness Report 2014-15", World Economic Forum
[19] Global Health Observatory, 2013, "Indonesia: Health Profile", World Health Organisation.
[20] World Bank 2014, "Doing Business 2014; understanding regulations for small and medium sized enterprise", World Bank, 11th Edition
[21] Schwab, K, 2014, "The Global Competeviness Report 2015-16", World Economic Forum
[22] Source: ©UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics).
[23] McKinsey Global Institute, 2012, "The archipelago economy: Unleashing Indonesia's potential", McKinsey Global Institute.
[24] Schwab, K, 2014, "The Global Competeviness Report 2014-15", World Economic Forum
[25] McKinsey Global Institute, 2012, "The archipelago economy: Unleashing Indonesia's potential", McKinsey Global Institute.
[26] Oxford Business Group, 2013, "The Report – Indonesia 2013", Oxford Business Group

growing at around 7% annually.

6.2.2 Regulatory Environment

Indonesia is part of ASEAN and as detailed earlier is part of the ASEAN economic community, and the AANZFTA agreement which provides preferential trade allowances for Australian companies. In addition to these agreements, the Australian and Indonesian Governments have discussed the formation of a free trade agreement since 2005. In 2007 the Australian and Indonesian Governments agreed to undertake a joint feasibility study into the benefits and merits of a bilateral FTA[27]. As a part of this process there have been numerous reports on the economic and trade effects of an FTA, by both government and non-government organisations. These reports have identified substantial economic and social benefits that would arise from the formation of an Indonesian – Australia FTA[28].

Domestic political complications have slowed formal development of a bilateral trade agreement between Australia and Indonesia, due to the ASEAN Australia –New Zealand FTA (AANZFTA), however both governments and the business community in Australia and Indonesia continue to have discussions on how to build upon good foundation for trade liberalisation between Australia and Indonesia. Changing political priorities, have resulted in the Australian and Indonesian Governments commencing negotiations on the re-named Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA)[29]. Negotiations commenced in late 2012, and have included key inputs by the Indonesian Chamber of Commerce (KADIN), the Australian Chamber of Commerce and Industry (ACCI), the Australia Indonesia Business Council, and the Indonesia Australia Business Council. These organisations have combined to form the Business Partnership Group[30]. This group has undertaken consultation with the business and government sectors throughout Australia and Indonesia to determine outcomes the business community seeks from the IA-CEPA. Negotiations on the IA-CEPA, commenced in September 2012, and may take some time to come to conclusion. Given recent political issues between Indonesia and Australia, it is uncertain when the negotiations may be finalised, however, the Australian government has made this agreement a priority agreement following the China, Korea and Japan FTA's. It is therefore reasonable to expect that the IA-CEPA is likely to approach some level of finality in 2016 or 2017. Should the IA-CEPA become activated it will seek to provide the following outcomes[31]:

- Increased liberalisation of trade and services restrictions, beyond that agreed in AANZFTA
- Removal of both tariff and non-tariff barriers to trade and services between Australia and Indonesia

[27] DFAT (2009), "Australia – Indonesia Free Trade Agreement Joint Feasibility Study" DFAT & Ministry of Trade Indonesia.
[28] CIE (2009), "Estimating the impact of an Australia-Indonesia trade and investment agreement" Centre for International Economics, Sydney and Canberra
[29] Comprehensive Economic Partnership Agreements are more substantive than FTA's and in this political situation provide a semantic difference to the negative perception of FTA's.
[30] http://www.acci.asn.au/Our-Agenda/Global-Engagement/IA-CEPA-Business-Partnership-Group
[31] http://www.dfat.gov.au/fta/iacepa/index.html

- Improved customs procedures
- Opportunity for increased capacity building (in Indonesia)
- Improved access to regulatory approvals (permits etc.)
- Removal of some of the preferential treatment for Indonesian companies in some sectors
- Liberalisation of the Negative Investment List, to not be as relevant to Australian companies[32]

6.2.3 Indonesian Investment in Australia

Australia's investment relationship with Indonesia is almost non-existent with Indonesian recording a negative investment flow in 2015, indicating the focus was on withdrawing investment from Australia and reinvesting in Indonesia. There have been some notable investments from Indonesia into Australia in recent years, however they have been contained to a few strategic assets, mostly in the north of Australia. These assets include investment in cattle farms in Northern Territory and North Queensland, and some investment in the mining industry in Queensland and Western Australia. There has also been the notable investment by an Indonesian firm into the Brisbane Roar Soccer Club, however this investment has been seen as a mixed result, with a lack of ongoing investment in infrastructure and facilities seen as having a negative impact on the club.

It is important to note that Indonesia is not a specific target market for Austrade in terms of attracting inbound Investment from Indonesia into Australia.

6.3 Malaysia Country Profile

Table 6 – Malaysia's Socio Economic Profile[33]

Population	***29 Million***
Gross Domestic Product per Capita (PPP International US$)	***US$10547.97***
World Bank Ease of Doing Business Rank (Global ranking from 1 Best – 189 Worst)[34]	***18***
Global Competitive Rank (Global ranking from 1 best – 144 worst)[35]	***20***
Outbound FDI Global Ranking (Global Ranking 1 largest Investor)[36]	***21***
Outbound FDI Total 2011-2015	***US$72.767 Billion***

[32] AIBC (2011) "Opportunities for Economic integration under an Indonesia-Australia Comprehensive Economic Partnership Agreement" Australia Indonesia Business Council.
[33] Schwab, K, 2013, "The Global Competiveness Report 2013-14", World Economic Forum
[34] World Bank 2014, "Doing Business 2014; understanding regulations for small and medium sized enterprise", World Bank, 11th Edition
[35] Schwab, K, 2014, "The Global Competiveness Report 2015-16", World Economic Forum
[36] Source: ©UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics).

6.3.1 Key Economic Drivers

Malaysia is a multi-ethnic country in South East Asia, with two main regions, Peninsular Malaysia and Eastern Malaysia. The economy has for many years been based around the resource commodity sector, with Petronas one of the world's largest oil and gas companies headquartered in Kuala Lumpur. The Malaysian government has used the revenues and royalties from oil and gas to develop a flourishing manufacturing sector, which is becoming an advanced manufacturing hub in South East Asia. The Malaysian economy has strongly and consistently been growing since 2001, with average GDP growth rates between 5-7%. This stable growth has seen corresponding growth in the size of the middle class, which has seen Malaysia now categorised as a lower middle-income country. The economic growth rate in Malaysia has been relatively stable over the past decade, with a fall in GDP growth in 2009 as a result of the Global Financial Crisis. Malaysia has been rated as the 20th ranked country in the World Economic Forum "Global Competitiveness report 2014-15", which is higher than Brazil, India, Indonesia, Thailand, China and Australia[37]. The Malaysian economy has continued to develop and is increasingly becoming integrated into ASEAN which has resulted in improved competitiveness, lower barriers to trade and a receptive investment climate.

6.3.2 Regulatory Environment

Malaysia has a more liberal regulatory system than many of its neighbours in the ASEAN region. This is part of the competitive advantage through which Malaysia is positioning, in order to attract trade and investment through Malaysia and into the region. Indeed, the World Bank report "Doing Business 2013: Malaysia" has identified the liberalisation of regulations in Malaysia as moving faster to de-regulate particularly in the length of time required to start a business than any of Malaysia's South East Asian neighbours.

The Australian and Malaysian governments began formal negotiations over the development of a free trade agreement in 2005[38], although negotiations were suspended in 2006 in order for the two countries to focus their trade attention on the regional trade agreement – AANZFTA. Following completion of the AANZFTA negotiations, the focus returned to the formal negotiations about the establishment of the Malaysian-Australia Free Trade Agreement (MAFTA). This culminated in the establishment of a bilateral free trade agreement between Malaysia and Australia in mid 2012. The core objective of the MAFTA has been to build upon the trade commitments of both Australia and Malaysia in AANZFTA and in many cases accelerate the schedule for removal or lowering of tariff and non-tariff barriers to trade.

[37] Schwab, K, 2014, "The Global Competiveness Report 2014-15", World Economic Forum
[38] DFAT (2005) "An Australia-Malaysia Free Trade Agreement: Australian Scoping Study" Australian Department of Foreign Affairs and Trade

Broadly, MAFTA will result in the elimination of tariffs from 98.6% of tariff lines by 2016, which is an improvement from the commitments in the AANZFTA, in terms of both tariff lines and also timeline for removal. This removal of tariff lines provides increased incentives for companies to export to Malaysia, and gain access to the market opportunities. The accelerated reduction in tariff barriers to trade has resulted in Malaysia now having one of the most open markets for Australian exporters and investors. MAFTA has identified some positive trade related outcomes that will affect companies seeking to market their technology, products and services to Malaysia.

MAFTA has an effect of providing increased export and investment opportunities for companies seeking to take advantage of the Malaysian market. The commitments listed above create a trade environment where companies now have substantially improved regulatory conditions, and a substantial reduction in tariff and non-tariff barriers.

6.3.3 Malaysian Investment in Australia

Australia's investment relationship with Malaysia is still comparatively small compared to investment from China, however this is changing, and there is an expectation in the Australian government that Malaysian investment in Australia will continue to grow. Malaysia is the 18th largest foreign investor in Australia, investing more than $20 billion in 2015. The majority of Malaysian investment in recent years has been focused around urban infrastructure and residential building developments. There have been other substantial investments made in recent years by Petronas through its joint venture's with South Australian oil and gas company SANTOS. However, the low price of oil has resulted in a pull back in further expansion into the Australian market.

An example of Malaysian urban investment can be found through the recent development of the Adelaide Colonial Mutual Life Assurance Society (CML) Building, which was converted into the Mayfair Hotel Adelaide by the Malaysia-backed Adabco Group. This was a $55 million development. Similar investments from Malaysian companies have focused on residential towers in Melbourne and Sydney. AsiaAustralis engagement with the largest Malaysian investors identifies the priority on central urban locations for residential and commercial properties. Example of strategic Malaysian investors include:

- SP Setia
- Gamuda Land
- UEM Group
- EcoWorld

6.4 Thailand Country Profile

Table 7 – Thailand's Socio Economic Profile[39] [40]

Population	***68.2 Million***
Gross Domestic Product per Capita (PPP International US$)	***US$5674.39***
World Bank Ease of Doing Business Rank (Global ranking from 1 Best – 189 Worst)[41]	***26***
Global Competitive Rank (Global ranking from 1 best – 144 worst)[42]	***31***
Outbound FDI Global Ranking (Global Ranking 1 largest Investor)[43]	***28***
Outbound FDI Total 2011-2015	***US$40.97 Billion***

6.4.1 Key Economic Drivers

Thailand is one of the more developed economies in South East Asia with a large middle class population. The country is divided into urban and rural populations, with major urban centers such as Greater Bangkok with large middle class, and diversified economy; while in rural areas the economy is still predominantly agricultural based[44]. Thailand has a population of 68 million[45] and has an expanding automotive manufacturing sector. Economic growth has been modest and volatile in most years over the past decade. This growth has seen corresponding growth in the size of the middle class, which has resulted in Thailand categorised being as an upper middle income economy in 2011. The Thai economy has had a volatile economy in the past few years as a consequence of the constantly changing domestic political landscape. GDP growth rates have fluctuated between 0.5-7% over the past 5 years.

Thailand has also been rated as the 31st ranked country in the World Economic Forum "Global Competitiveness report 2013-14", which is higher than Brazil, India, Indonesia and China to name a few similar emerging or regional economies[46]. Thailand experienced high economic growth at 8-9% per year during the late 1980s and early 1990s until the "East Asian Financial Crisis" of 1997-1998. Following this economic slow down economic growth in Thailand has been modest, with robust growth around 5% from 2002 to 2007[47]. The Thailand economy is well integrated into the global economy as a consequence of its well-developed food proceeding industry and expanding automotive manufacturing sector. The global financial crisis of 2008-2009, in conjunction with flooding in 2011, and political uncertainty over the past 5 years has resulted in much more

[39] Schwab, K, 2013, "The Global Competiveness Report 2013-14", World Economic Forum
[40] Global Health Observatory, 2013, "Indonesia: Health Profile", World Health Organisation.
[41] World Bank 2014, "Doing Business 2014; understanding regulations for small and medium sized enterprise", World Bank, 11th Edition
[42] Schwab, K, 2014, "The Global Competiveness Report 2015-16", World Economic Forum
[43] Source: ©UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics).
[44] Worldbank.org
[45] DFAT (2013), "Thailand Fact Sheet 2013", Department of Foreign Affairs and Trade, Government of Australia.
[46] Schwab, K, 2013, "The Global Competiveness Report 2013-14", World Economic Forum
[47] www.worldbank

volatile economic growth. Overall, economic growth in Thailand, while still significant, has been lower than most of its South East Asian neighbors in recent years with economic growth only reaching 1.6% in 2014 and projected to be around 4.5% for 2015[48].

6.4.2 Regulatory Environment

Thailand is part of ASEAN and as detailed earlier is part of the ASEAN economic community, and the AANZFTA agreement which provides preferential trade allowances for Australian companies. In addition to these agreements, the Australian and Thailand Governments have signed a free trade agreement (Thailand – Australia Free Trade Agreement or TAFTA) in 2003[49]. This agreement provides preferential market access to Australian business to Thai markets, and corresponding access for Thai companies in Australia.

The TAFTA provides the following preferential access to Australian businesses:

- Increased liberalisation of trade and services restrictions, beyond that agreed in AANZFTA.
- Removal of both tariff and non-tariff barriers to trade and services between Australia and Thailand.
- Improved customs procedures.
- Opportunity for increased capacity building (in Thailand).
- Improved access to regulatory approvals (permits etc.).

It is important to note social and political changes occurred during 2014, which may provide one of the largest impediments to improved trade terms in the short term due to an associated rise in political activism. There is a potential risk to Australian businesses in their capacity to export as a result of the uncertain economic and political environment.

6.4.3 Thailand Investment in Australia

Australia's investment relationship with Thailand is still comparatively small compared to investment from China, however this is changing. Thailand is the 30th largest foreign investor in Australia, investing more than $4 billion in 2015. The majority of Thai investment in recent years has been focused around energy, infrastructure and urban tourism developments. There have been other investments sought through the food supply chain, and in 2015 a leading Thai executive from Charoen Pokphand Group – Thailand's largest conglomerate, and a large food processing company, visited South Australia to explore opportunities to invest in South Australia's food processing industry. Austrade has identified Thailand as a substantial growth market for inbound investment with a report in 2013 identifying:

48 www.adb.org
49 www.dfat.gov.au

Thailand, whilst ranked 17th by the same measure, has had by far the fastest growth of our top 20 investor countries in the past five years (ABS, 2012). In 2012, total Thai investment stock in Australia was valued at A$7.3 billion, having skyrocketed 21-fold from A$338 million in 2007. During the same five-year period (2007- 2012), Thailand's foreign direct investment outflows increased 13 times to US$74 billion, and in 2012 Australia was ranked as the 7th biggest recipient of Thailand's FDI outflows (Bank of Thailand, 2013).

The significant growth in Thai investment in Australia in recent years has largely been on the back of a number of high value energy investments. These investments include:

- PTT Exploration and Production Public Company Limited (PTTEP) acquired 100 per cent of Coogee Resources Limited (now PTTEP Australasia) in 2009.

- Banpu Public Company Limited acquired New South Wales-based Centennial Coal in November 2010 for A$ 2.5 billion.

- Ratchaburi Electricity Generating Holding Public Company Limited acquired an 80 per cent stake in Transfield Services Infrastructure (TSI) Fund, which was renamed RATCH Australia Corporation Limited. RATCH holds three Australian wind farms and four thermal power plants. RATCH plans to spend AUD$ 1 billion in the next three years buying power plants and building wind farms, aiming at staying in step with Australia's future energy policies, especially in renewable energy.

- Electricity Generating Company Limited (EGCO), acquired Boco Rock wind farm in NSW for A$112 million.

- Mitr Phol Sugar, acquired Queensland company MSF Sugar Limited for A$313 million in 2012. MSF Sugar is Australia's third largest milling group by annual crushing capacity of 4.7 million tons of cane.

- TCC Hotels Group acquired three hotels in 2008- 2009; Novotel Rockford Sydney, Hyatt Hotel Canberra, and Intercontinental Adelaide.

- Minor International acquired Oaks Hotels & Resorts Ltd in July 2011. Oaks own 39 properties with a total of 4,300 rooms in Australia, New Zealand and Dubai.

- Amora Group, operates the two Amora branded hotels in Sydney and Melbourne.

6.5 Singapore Country Profile

Table 8 – Singapore's Socio Economic Profile[50]

Population	***5.4 Million***
Gross Domestic Product per Capita (PPP International US$)	***US$54775.53***
World Bank Ease of Doing Business Rank (Global ranking from 1 Best – 189 Worst)[51]	***1***
Global Competitive Rank (Global ranking from 1 best – 144 worst)[52]	***2***
Outbound FDI Global Ranking (Global Ranking 1 largest Investor)[53]	***14***
Outbound FDI Total 2011-2015	***US$164 Billion***

6.5.1 Key Economic Drivers

Singapore is an advanced economy in South East Asia, on an island at the southern tip of the Malaysian Peninsular. Singapore developed rapidly from a low-income country to a high-income country from the 1960's to the present day with GDP averaging 7.7% over this period. Singapore has benefited from rapid industrialization, which by the early 1970's resulted in manufacturing becoming the lead sector of the country's economic growth[54]. Singapore is currently ranked among the world's most competitive economies with strong manufacturing and services sectors the strengths of the Singapore economy. The Singaporean economy is a structured economy that has seen Singapore become one of the most advanced economies in the world, with a large middle class population. Singapore has been a logistics hub for the Indian and Pacific Ocean trade for two centuries and in the past few decades Singapore has become an industrial hub for sectors including; banking, mining services, agribusiness, logistics and education. There is a wide range of businesses, with a particular focus on high value added activities. The Singaporean economy is robust with GDP growth consistently between 2 and 10% over the past decade[55]. This growth has seen corresponding growth in the size of the middle class, which has resulted in Singapore categorised as an advanced economy. In recent years economic growth has continued to grow, resulting in growth in per capita incomes and purchasing capacity of the middle class consumer.

[50] Schwab, K, 2015, "The Global Competiveness Report 2014-15", World Economic Forum
[51] World Bank 2014, "Doing Business 2014; understanding regulations for small and medium sized enterprise", World Bank, 11th Edition
[52] Schwab, K, 2014, "The Global Competiveness Report 2015-16", World Economic Forum
[53] Source: ©UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics).
[54] www.worldbank.org
[55] Source: Worldbank.org

6.5.2 Regulatory Environment

Singapore has the world's most business-friendly regulatory environment for entrepreneurs and is one of the world's most competitive economies[56]. Singapore has a more liberal regulatory system than many of its neighbours in the ASEAN region, as a result of its advanced economic status. Singapore uses this liberal approach to attract trade and investment into priority industries. The World Bank report "Doing Business 2014: Singapore" has identified Singapore as the most competitive economy in which to start a business out of any country in the world, substantially higher ranked than neighbouring Asian economies[57].

The Australian and Singaporean governments established the Singaporean – Australian Free Trade Agreement in 2003 and was Australia's first free trade agreement with an Asian economy. This agreement has helped establish Singapore as Australia largest trade and investment partner in South East Asia.

6.5.3 Singaporean Investment in Australia

Australia's investment relationship with Singapore is comparatively small compared to investment from China, however it is a mature and long-term investor in Australia. Singapore is the 5th largest foreign investor in Australia, investing more than $98 billion in 2015. The majority of Singaporean investment in recent years has been focused around urban developments, and commercial real estate. Although it is becoming more diversified to some degree. Key non-real estate investments include:

- Singapore Power's purchase of the US TXU Corporation's assets in Victoria and South Australia in 2004.
- Singapore Investment Corporation's acquisition of the Mayne Group's portfolio of private hospitals in 2003.
- SingTel acquisition of Optus in 2001.
- Singapore / Chinese consortium – Jemena – was approved to build a gas pipeline in the Northern Territory.

56 www.worldbank.org

57 World Bank Group, 2013, "Doing Business 2014: Singapore" World Bank Group.

6.6 Vietnam Country Profile

Table 9 – Vietnam's Socio Economic Profile[58]

Population	***89.7 million***
Gross Domestic Product per Capita (PPP International US$)	***1902***
World Bank Ease of Doing Business Rank (Global ranking from 1 Best – 189 Worst)[59]	***99***
Global Competitive Rank (Global ranking from 1 best – 144 worst)[60]	***68***
Outbound FDI Global Ranking (Global Ranking 1 largest Investor)[61]	***53***
Outbound FDI Total 2011-2015	***US$6.35 Billion***

6.6.1 Key Economic Drivers

Vietnam is a low middle-income country with a strong outward orientation. In global GDP (PPP terms), Vietnam ranks 40th in the world (Australia ranks 18th), with a GDP per capita of US$1,900 in 2013.[62] Vietnam has been cited as having the fastest growing middle class in the Southeast Asian region and this is expected to rise from 12 million in 2012 to 33 million in 2020.[63] Following a bout of double-digit inflation in 2011, the macroeconomic situation in Vietnam has improved in recent years. Inflation has now dropped to 6.6 per cent as at the end of 2014. It is also ranked 75th out of 144 countries in terms of the macroeconomic environment in the 2014-2015 Global Competitiveness Report, an increase of 12 places.[64] Wealth in Vietnam is also the second most evenly distributed in ASEAN after Indonesia and 63 per cent of the population is under the age of 35 (a median age of 27).[65] This young and cheap labour force, combined with Vietnam's accession to the World Trade Organisation in 2007, has made Vietnam one of the most attractive destinations for foreign investment in Asia.[66] In recent years the Vietnamese government has sought to strengthen this young domestic market by lowering the corporate tax base for small to medium sized enterprises and opening Vietnam's first credit bureau, Vietnam Credit Information, in February 2014.[67] This credit bureau is important to be able to increase access to credit through quality and availability of data to creditors and improve borrower discipline. By April 2014, Vietnam Credit Information was providing information to 23 of 47 commercial banks in Vietnam as well as market education and training.[68]

[58] Schwab, K, 2014, "The Global Competiveness Report 2015-16", World Economic Forum
[59] World Bank 2014, "Doing Business 2014; understanding regulations for small and medium sized enterprise", World Bank, 11th Edition
[60] Schwab, K, 2014, "The Global Competiveness Report 2015-16", World Economic Forum
[61] Source: ©UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics).
[62] Department of Foreign Affairs and Trade (DFAT), 2015, "Vietnam country brief", DFAT.
[63] Boston Consultancy Group (BCG), 2013, "Vietnam and Myanmar: Southeast Asia's New Growth Frontiers", BCG.
[64] Schwab, K, 2014, "The Global Competiveness Report 2014-15", World Economic Forum.
[65] Department of Foreign Affairs and Trade (DFAT), 2015, "Vietnam country brief", DFAT.
[66] McKinsey Global Institute, 2012, "Sustaining Vietnam's growth: The productivity challenge", McKinsey & Co.
[67] World Bank, 2014, "Doing Business Report - 2014", World Bank.
[68] McKinsey Global Institute, 2014, "Doing Business Report - 2014", McKinsey & Co.

6.6.2 Regulatory Environment

Vietnam is part of ASEAN and as detailed earlier is part of the ASEAN economic community, and the AANZFTA agreement which provides preferential trade allowances for Australian companies.

On March 15 2015, Foreign Minister Julie Bishop and Vietnam's Minister of the Office of the Government Nguyen Van Nen, in the presence of the Prime Ministers Tony Abbott and Nguyen Tan Dung, signed a Declaration on Enhancing the Australia-Vietnam Comprehensive Partnership. The Declaration sets out a high-level strategic agenda to guide the relationship in coming years and covers regional and international cooperation, trade and investment, industrial, development, development assistance, defence, law enforcement and security. This builds upon the Australia – Vietnam Comprehensive Partnership signed in 2009 and the bilateral Plan of Action (2010-13). A new Plan of Action, which will outline the practical steps towards the new and refocused priority areas of bilateral cooperation, will be signed later in 2015.[69]

6.6.3 Vietnamese Investment in Australia

Australia's investment relationship with Vietnam is almost non-existent with minimal recorded investment flows in 2015. Total Vietnamese investment stock in Australia is estimated to be around $468 million with most of it contained from Vietnamese migration over the past three decades. Vietnam is still predominantly a developing economy with most Vietnamese companies looking to grow investment within domestic bounds.

It is important to note that Vietnam is not a specific target market for Austrade in terms of attracting inbound Investment into Australia.

[69] Department of Foreign Affairs and Trade (DFAT), 2015, "Vietnam country brief", DFAT.

7.0 Foreign Direct Investment in Australia

Australia has strong history of attracting foreign investment from a range of economies, from Europe, North America and more recently from Asia.

Asian investment in Australia continues to grow strongly, and has accelerated over the past three years, particularly since the signing of the China-Australia Free Trade Agreement (ChAFTA), the Korea – Australia Free Trade Agreement (KAFTA), and the Japan Australia Economic Partnership Agreement (JAEPA) which has led to improved opportunities for Asian investors in Australia. There have been further long-term investment relationships established in South East Asia as a consequence of existing trade and investment treaties including; Singapore Australia Free Trade Agreement (SAFTA), Malaysia Australia Free Trade Agreement (MAFTA), Thailand Australia Free Trade Agreement (TAFTA), AANZFTA (as detailed in earlier section).

In addition to these preferential agreements there are prospective trade agreements including the India Australian Comprehensive Economic Cooperation Agreement (CECA), and the Indonesia Australia Comprehensive Economic Partnership Agreement (IACEPA).

The total stock of South East Asian investment in Australia increased by 23.7 per cent by the end of 2015, reaching $134.78 billion. Singapore currently accounts for majority of this investment stock with more than $98 billion, which makes it the 5th largest investor in Australia and 2nd largest Asian investor after Japan.

The Australian Government (through FIRB) will continue to screen Asian investments at lower thresholds for agricultural land and agribusiness.

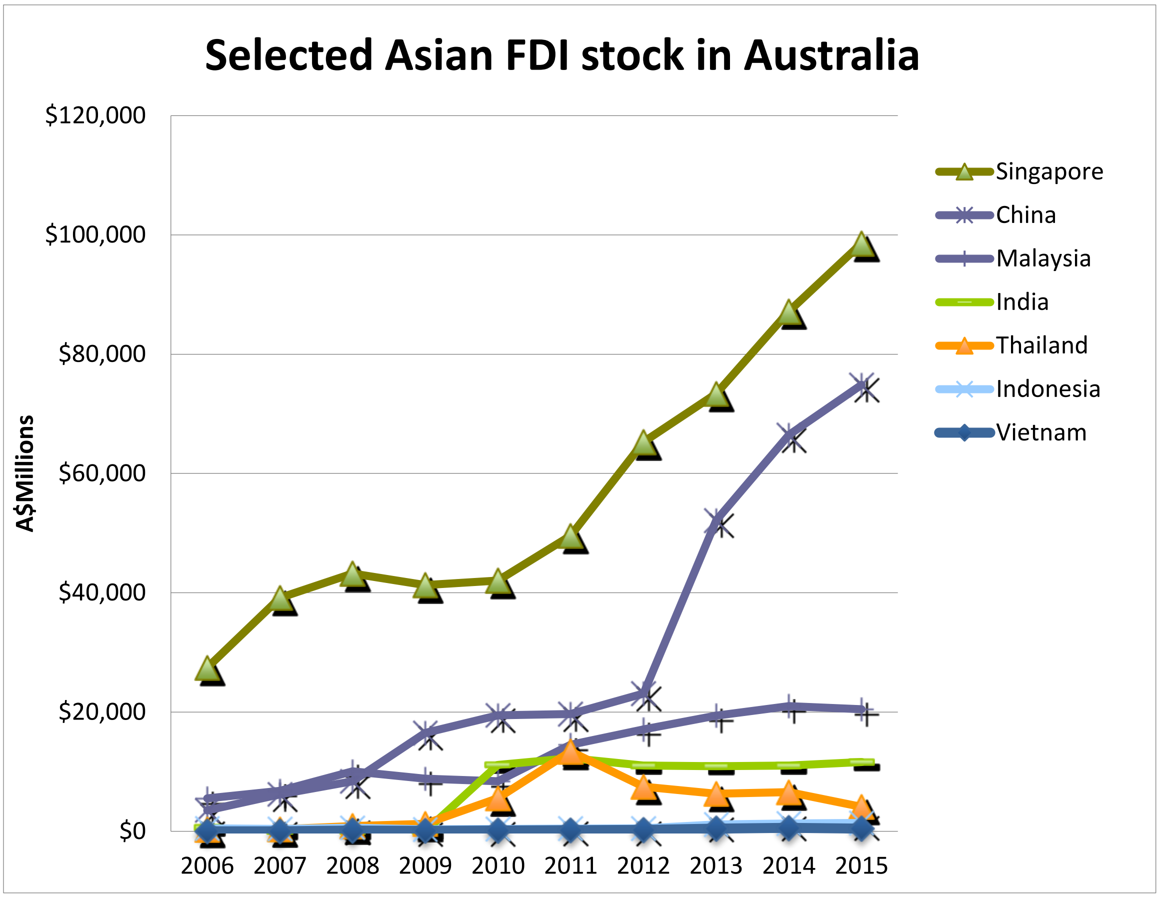
This is important to note for South Australia and the RDA in attracting investment into key agricultural projects (such as dairy, beef and wine) that FIRB continues to screen all direct investments, new business proposals and acquisitions of interests in land (including agricultural land), by Asian state-owned enterprises, regardless of transaction size. The various Asian based FTA's do not change these arrangements in any way, consistent with the Government's practice in other FTAs.

Table 10 – Top 30 Foreign Investment in Australia: Stock of Investment by Country and year ($Billion)

Rank	Investor Country	2011	2012	2013	2014	2015
1	United States of America	$520.33	$627.32	$716.89	$779.65	$860.31
2	United Kingdom	$465.09	$397.03	$449.67	$481.29	$499.93
3	Belgium	$14.16	$192.61	$206.92	$225.77	$238.54
4	Japan	$125.73	$158.50	$164.11	$181.06	$199.60
5	Singapore	$49.58	$65.26	$73.36	$87.19	$98.58
6	Hong Kong (SAR of China)	$44.38	$52.87	$63.58	$74.05	$85.36
7	China (excl. SARs & Taiwan)	$19.68	$23.13	$52.15	$66.44	$74.86
8	Netherlands	$40.96	$39.12	$45.31	$57.21	$63.00
9	Luxembourg	$24.89	$66.44	$60.71	$58.99	$58.32
10	Switzerland	$41.65	$68.29	$55.13	$47.20	$50.20
11	Germany	$21.73	$21.12	$28.99	$40.54	$41.23
12	New Zealand	$27.99	$28.45	$33.12	$36.65	$39.67
13	Canada	$25.66	$31.33	$29.25	$35.97	$38.75
14	Bermuda	$6.47	$8.70	$12.88	$30.96	$25.86
15	Korea, Republic of (South)	$12.78	$13.77	$18.49	$21.74	$23.32
16	Virgin Islands, British	n/a	$19.74	$19.65	$19.86	$22.88
17	France	$20.25	$18.58	$17.49	$21.47	$22.06
18	Malaysia	$14.49	$17.09	$19.38	$20.99	$20.46
19	Ireland	$2.19	$15.54	$17.97	$16.27	$18.43
20	Cayman Islands	$2.26	$9.45	$11.28	$14.01	$13.80
21	Norway	$4.11	$7.88	$6.38	$13.19	$13.54
22	United Arab Emirates	n/a	$33.22	$36.67	$18.68	$12.55
23	India	$12.26	$11.01	$10.90	$11.00	$11.62
24	Kuwait	$3.04	$2.89	$4.74	$5.40	$9.19
25	Taiwan	$4.85	$5.06	$6.63	$6.54	$7.43
26	Sweden	$3.34	$4.57	$5.99	$6.64	$6.80
27	Austria	$4.36	$4.83	$5.09	$4.92	$5.95
28	South Africa	$2.05	$2.73	$5.08	$5.58	$5.40
29	Jersey	np	$0.71	$0.92	$2.19	$4.60
30	Thailand	$13.39	$7.50	$6.30	$6.57	$4.12

The level of Asian investment into Australia is clearly demonstrated through the table below of Selected Asian Foreign Direct Investment Stocks in Australia over the past decade. The table demonstrates the increasing trajectory of Asian investment into Australia, and particularly the growth of investment from long-term Asian investors such as Singapore, and new Asian investors such as China. Importantly, this table is able to visibly demonstrate the important value of Singaporean investment into Australia over the past decade.

Table 11 Selected Asian Foreign Direct Investment Stock in Australia (2006-2015)



These investments rankings of Australia's largest Asian based foreign investors are consistent with Asia's largest outbound Foreign Direct Investors which shows that Singapore, Malaysia, India, Thailand and Indonesia are all in the top 10 Asian investors into foreign markets. AsiaAustralis analysis of outbound foreign investment is used as a critical indicator of capacity and propensity to invest in foreign markets. When analysed in conjunction with historical evidence of direct investment from these Asian markets into Australia, we are able to ascertain the variant levels of success in attracting foreign direct investment from the region. Analysis of Asian outbound investment demonstrates that Singapore, with total outbound investment US$35 Billion in 2015, is comprised in its majority through Investment into Australia, with a converted investment of US$21 Billion[70]. This rate of investment shows Singapore has more than 50% of its outbound FDI focused upon Australia.

[70] Exchange rate constant at 31st December exchange rate A$1 = US$0.7306

Table 12 - FDI outflows, by region and economy, 2011-2015 (Millions of $US)[71]

Economy	2011	2012	2013	2014	2015	Total
Japan	$107,599.15	$122,548.73	$135,748.77	$113,594.79	$128,653.84	$608,145.27
China	$74,654.04	$87,803.53	$107,843.71	$123,119.86	$127,560.00	$520,981.14
Hong Kong, China	$95,971.99	$84,072.03	$81,025.14	$125,109.23	$55,143.29	$441,321.69
Singapore	$31,459.24	$18,340.54	$39,591.94	$39,131.29	$35,485.04	$164,008.05
Korea, Republic of	$29,704.70	$30,632.10	$28,359.80	$28,039.20	$27,639.80	$144,375.60
Malaysia	$15,248.91	$17,143.10	$14,107.17	$16,369.07	$9,899.42	$72,767.67
Taiwan	$12,766.00	$13,137.00	$14,285.00	$12,711.00	$14,773.00	$67,672.00
India	$12,456.16	$8,485.70	$1,678.74	$11,783.50	$7,501.43	$41,905.52
Thailand	$6,257.80	$10,596.76	$11,934.32	$4,409.37	$7,776.24	$40,974.49
Indonesia	$7,712.86	$5,421.65	$6,646.60	$7,077.32	$6,249.62	$33,108.05
United Arab Emirates	$2,178.00	$2,536.01	$8,828.34	$9,019.07	$9,264.31	$31,825.73
Qatar	$10,108.53	$1,840.11	$8,021.43	$6,748.35	$4,023.35	$30,741.77
Kuwait	$10,772.92	$6,741.30	$16,648.03	$10,468.26	$5,406.98	$29,100.97
Saudi Arabia	$3,429.92	$4,401.55	$4,943.29	$5,395.99	$5,520.33	$23,691.08
Philippines	$339.00	$1,692.00	$3,646.95	$6,753.92	$5,601.94	$18,033.81
Viet Nam	$950.00	$1,200.00	$1,956.00	$1,150.00	$1,100.00	$6,356.00
Macao, China	$120.35	$469.22	$1,673.50	$680.97	$941.69	$3,885.72
Brunei Darussalam	$70.89	$282.96	$859.06	$381.82	$507.94	$2,102.67
Sri Lanka	$60.00	$63.93	$65.07	$66.82	$53.26	$309.08
Cambodia	$29.17	$36.18	$46.26	$43.23	$47.46	$202.29
Lao	$0.04	$0.08	$1.00	$1.93	$1.13	$4.18

Malaysian outbound investment has focused on Australia as an inbound investment destination, with Australian inbound invest comprising greater than 50% of total Malaysian foreign investment. Thailand has generally been a small, but strategic investor into Australia with new foreign investments into Australia reaching more than A$ 4.5 billion during 2013 and 2014, however there was negligible investments in 2015, and similarly between 2011 and 2012. Indian investment in Australia has not grown at the same rate as investment in Australia by many other Asian economies in the recent past. India has relatively low investment stock in Australia, and as of 2015 was ranked as the 23rd largest foreign investor in Australia. It should also be noted that where as India has outbound foreign investments globally similar in scale to Malaysia, investment in Australia has been much more restrained. Much of the focus of Indian investment in Australia has been focused on only a handful of investment projects. This is an important distinction when compared to US, Chinese, Malaysian and UK investments in Australia, which are diversified and involve multiple projects each year.

Most of the leading Asian markets, have a concentration of outbound foreign investment into Australia, and so this provides a strong positioning for the RDAHC to strategically target inbound investment from the largest South East Asian investors such as Singapore and Malaysia.

[71] Source: ©UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics)

Table 13 - New Asian FDI into Australia 2011-2015 (A$ Millions)

Rank	Country	2011	2012	2013	2014	2015
1	Japan	$54,865	$64,266	$67,839	$71,274	$85,949
2	Singapore	$19,902	$22,366	$23,331	$27,894	$28,800
3	China	$14,482	$16,549	$23,364	$31,863	$35,171
4	Hong Kong (SAR of China)	$7,578	$7,435	$7,934	$9,622	$11,918
5	Malaysia	$0	$7,099	$9,135	$9,571	$10,853
6	Korea, Republic of (South)	$0	$2,551	$2,939	$3,162	$3,097
7	United Arab Emirates	$0	$0	$0	$6,770	$2,934
8	Thailand	$0	$0	$4,641	$4,559	0
9	India	$0	$1,337	$1,161	$955	$896
10	Taiwan	$0	$166	$118	$104	$116
11	Philippines	-$2	$8	$5	$0	$6
12	Vietnam	$1	$1	$3	$0	$0
13	Saudi Arabia	$0	$0	$0	$0	$0
14	Papua New Guinea	$0	$0	$0	$0	$0
15	Cambodia	$0	$0	$0	$0	$0
16	Bahrain	$0	$0	$0	$0	$0
17	Brunei Darussalam	$0	$0	$0	$0	$0
18	Kuwait	$0	$0	$0	$0	$0
19	Pakistan	$0	$0	$0	$0	$0
20	Qatar	$0	$0	$0	$0	$0
21	Indonesia	$0	-$12	-$8	$0	-$7

AsiaAustralis has undertaken an analysis of the specific industry sectors where foreign direct investment was reviewed by the Australian Government agency FIRB. In the past three years the aggregate investment approvals from four selected Asian economies into Australia; China, Singapore, Malaysia and Thailand, have been categorised into eight industry sectors. As has been identified earlier, investment into agribusinesses have now had their investment threshold lowered to between $A15-55 million depending on the investment class. This is well below the overall investment threshold of $A 249 million which exists for most other investment classes. *There is an expectation that agricultural and agribusiness investments will be a major focus of the RDAHC region, and therefore we can ascertain substantial understanding of the sector focus for Asian investors.*

Table 14 - FIRB Investment Approvals by Sector 2012-2015 (A$ million)

	China	Singapore	Malaysia	Thailand
Agriculture, Forestry and Fishing	$2,854	$1,196	$0	$350
Financial & Insurance	$1,804	$104	$500	$121
Manufacturing	$9,572	$1,836	$1,502	$925
Mining	$23,774	$481	$328	$655
Real Estate	$42,687	$10,161	$7,068	$1,407
Resource Processing	$43	$0	$0	$0
Professional Services	$9,276	$6,040	$5,729	$1,749
Tourism	$0	$348	$0	$0
Total	$90,010	$20,166	$15,127	$5,207

It should be noted that there were no identified investment reviews between 2012-2015 for Indonesia, Vietnam and India. This is explained by the very low levels of investment from those markets into Australia, and additionally the long-term and previously determined investments into Australian mining assets by Indian conglomerates previously. FIRB data demonstrates the priority target markets for each industry segment can be determined based on historical investment behavior. In this instance our analysis demonstrates priority target markets:

- Agricultural assets: China, Singapore, and Thailand
- Manufacturing assets: China, Singapore, Malaysia and Thailand
- Tourism assets: Singapore

8.0 Analysis and Opportunity Assessment

As already noted, the focus for this project has been for AsiaAustralis to prepare a South East Asia + India Investment Strategy for the RDA Adelaide Hills, Fleurieu and Kangaroo Island.

The objective of this project is to develop an **Investment Attraction Strategy** for RDAHC with a specific focus on the following markets:

- Malaysia
- Singapore
- Indonesia
- India
- Thailand
- Vietnam

The Strategy is developed based on secondary desktop research and the experience that AsiaAustralis has in these priority target markets. Based on evidence research, the Strategy also prioritises the above markets by industry.

The key outcome from the Strategy is the prioritisation of the nominated countries for future investment attraction activities, incorporating priority industry sectors for the sub-regions of the RDA (e.g. Adelaide Hills Fleurieu and Kangaroo Island) and recommended target in-country corporates and other organisations for implementation of the Investment Attraction Strategy.

AsiaAustralis has used its current global market knowledge and experience to undertake this project on behalf of the RDAHA and its community stakeholders. It has additionally utilised extensive objective data from a range of sources including; ABS, DFAT, UNCTAD, World Bank, FIRB, SATC and UN.

This section of the report therefore qualifies and ranks target markets for RDAHC investment attraction activities and provides specific information on each market to inform RDAHC and its respective stakeholders.

The ranking of target markets has been based on a comprehensive methodology employing desktop research to identify RDAHC's 'Relative Competitive Position' in the target markets alongside the 'Market Attractiveness' of each market. Criteria in each category are weighted and assessed allowing a final ranking and matrix to be constructed that establishes the recommended target market priorities.

The research and analysis has been divided into two distinct sections in order to facilitate an assessment and comparison of *the region's Relative Competitive Position* by market against the *Market Attractiveness* of each individual market.

The Relative Competitive Position section relies heavily on existing research documents and strategic South Australian, regional and other documents obtained via desk research and in-country research.

The Market Attractiveness section provides detailed country profiles for each priority market in accordance with the requirements of the Project Brief. A detailed combined analysis of South East Asia and India is provided at the commencement of the report reflecting the importance of selected South East Asian markets and India to invest in the RDAHC region.

8.1 Recommended Market Priorities

It is recommended that RDAHC's South East Asian Investment Attraction Strategy specifically adopts a targeted approach in support of current government priorities. There are significant regional market differences and there needs to be a recognition that South Australia's and the regional economy and population are comparatively small in a global context. It is also important to note that South East Asian investment into Australia has generally been focussed on particular investment categories detailed in previous sections of this report.

Our recommended priorities therefore focus on targeted countries and strengthening established ties as well as cultivating new relationships. AsiaAustralis has identified the following initial criteria to be taken into account when prioritising geographical targets for Investment Attraction into the RDAHC region.

Relative Competitive Position Factors

- Where and what industry is already trading, and where industry has explicitly expressed desire for Government action.
- Existing Government strategic international relationships and partnership/links programs.
- Evidence in exports of Adelaide Hills, Fleurieu and Kangaroo Islands commodities.
- Existing trade relationships.

Market Attractiveness Factors

- Geo-political factors that favour South Australian food and beverages.

* Aggregate Investment in Australia (2011-2015)
* Ability and propensity to invest in Adelaide Hills, Fleurieu and Kangaroo Island Industry sectors and to raise export capability
* Size of Total Foreign Direct Investment (Source: UNCTAD)
* Tourist Numbers (Source: SATC)

These criteria have therefore been adopted as selection criteria for the prioritisation of target markets in the Relative Competitive Position and Market Attractiveness Assessment. This assessment is based on the allocation of weightings to the selection criteria, the rating (or scoring) of each of these criteria by market, the calculation of an assessment score for each criteria by market and finally an overall total or priority score for each market.

The following important issues are noted in relation to this assessment:

* The weights attached to each of the Relative Competitive Position and Market Attractiveness factors below are based on AsiaAustralis's assessment of the relative importance of each factor to investment success based on the desktop research and in-market research and consultation.

* The scoring of each country against the Relative Competitive Position and Market Attractiveness factors is based on either (1) an objective and sourced global competitiveness indicator (e.g. GNI per Capita) or, where such indicators were not available (2) AsiaAustralis's interpretation of the research detailed in this report. In relation to the desktop research, it is acknowledged here that much of the information was obtained from existing websites and other internet sources.

The following weights have subsequently been assigned to each of these factors:

Relative Competitive Position Factors	Weight
Where and what South Australian industry is already Trading, and where industry has explicitly expressed desire for Government action (Source DFAT)	0.3
Existing Government strategic international relationships and partnership/links programs (both State and Local)	0.1
Evidence in exports of Adelaide Hills, Fleurieu and Kangaroo Islands commodity types	0.4
Existing preferential trade relationships	0.2
Total Relative Competitive Position	**1**

Market Attractiveness Factors	Weight
Geo-political factors that favour Premium South Australian Food and Beverages (Source: Desk Research)	0.1
Aggregate Investment in Australia (2011-2015) (Source: ABS)	0.3
Ability and propensity to invest in Adelaide Hills, Fleurieu and Kangaroo Island Industry sectors and to raise export capability (Source: FIRB)	0.2
Size of Total Foreign Direct Investment (Source: UNCTAD)	0.2
Tourist Numbers (Source: SATC)	0.2
Total Market Attractiveness	**1**

The following scores (from 0 – 10 with 10 being the best) have been assigned to each country against the relevant factors:

Relative Competitive Positioning

Country	Where and what South Australian industry is already trading, and where industry has explicitly expressed desire for Government action (Source DFAT)	Existing Government strategic international relationships and partnership/links programs (both State and Local) (FTA's, Austrade and SA Govt. Offices, Sister State/Sister City Agreements)	Evidence in exports of Adelaide Hills, Fleurieu and Kangaroo Islands commodity types	Existing preferential trade relationships
Indonesia	6	10	5	7
Malaysia	8	10	9	9
Thailand	7	8	7	8
Singapore	10	10	10	10
Vietnam	5	5	6	6
India	10	10	3	2

Market Attractiveness

Country	Geo-political factors that favour Premium South Australian Food and Beverages (Source: Desk Research)	Aggregate Investment in Australia (2011-2015) (Source: ABS)	Ability and propensity to invest in Adelaide Hills, Fleurieu and Kangaroo Island Industry sectors and to raise export capability (Source: FIRB)	Size of Total Foriegn Direct Investment (Source: UNCTAD)	Tourist Numbers (Source: SATC)
Indonesia	7	1	1	3	5
Malaysia	9	7	7	7	9
Thailand	8	4	5	4	3
Singapore	10	10	10	10	10
Vietnam	5	1	1	1	1
India	2	3	1	4	8

The following scores have been derived (in ranking order) for RDAHC's Relative Competitive Position in each country and each country's Market Attractiveness (i.e. weight x score):

Country	RDAHC Relative Competitive Position Score
Singapore	10
Malaysia	8.8
Thailand	7.3
Indonesia	6.2
Vietnam	5.6
India	5.6

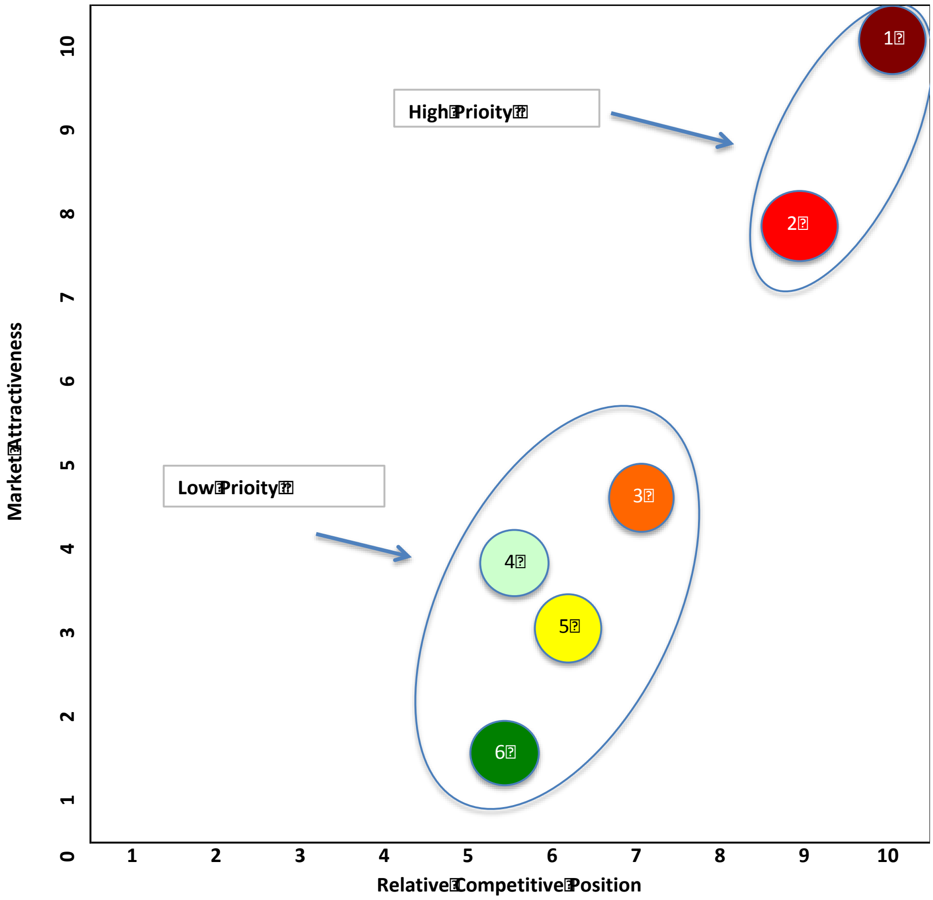
Country	RDAHC Market Attractiveness Score
Singapore	10
Malaysia	7.6
Thailand	4.4
India	3.7
Indonesia	2.8
Vietnam	1.4

Assuming equal rating is given to RDAHC's Relative Competitive Position and Market Attractiveness, the priority market order for RDAHC's South East Asia + India Investment Attraction Strategy is as follows:

Country	Total Score
Singapore	20
Malaysia	16.4
Thailand	11.7
India	9.3
Indonesia	9
Vietnam	7

8.2 Market Summary

Following is summary of the broad outputs derived by AsiaAustralis' methodology for prioritising RDAHC's South East Asia +India Investment Attraction Strategy.



Country	Code
Singapore	1
Malaysia	2
Thailand	3
India	4
Indonesia	5
Vietnam	6

9.0 Strategic Assessment and Recommendations

In order to achieve the core objectives of this project, AsiaAustralis has utilised existing in-market networks in Asia to coordinate research and engage broadly with a range of government (trade and investment agencies), and non-government organisations. The key outcome from the Strategy has been the prioritisation of the nominated countries for future investment attraction activities, incorporating priority industry sectors for the sub-regions and recommended target in-country corporates and other organisations for implementation of the Investment Strategy. AsiaAustralis has used its current global market knowledge and experience to undertake this project on behalf of the RDAHA and its community stakeholders.

Analysis of the objective data on foreign direct investment into Australia from the six targeted markets in South East Asia and India identifies clear priority investment attraction targets for RDAHC. AsiaAustralis analysis identifies that the priority markets for the broader region should be:

1. Singapore
2. Malaysia
3. Thailand
4. India
5. Indonesia
6. Vietnam

This prioritisation has clearly identified two clear markets of focus for the RDAHC for Investment Attraction, principally Singapore and Malaysia, followed by lower priority markets of Thailand, India, Indonesia and Vietnam. There is a large disparity between the six markets, and particularly their propensity to pay and specifically make foreign direct investments into industries and projects within the RDAHC region.

9.1 Regional Focus

AsiaAustralis analysis of international investment flows both outbound from these six target markets and inbound into Australia has identified a clear opportunity for RDAHC to undertake strategic targeting of selected organisations within these key Asian markets. Further to this analysis it is recommended that each of the three major regions within the RDAHC, Adelaide Hills, Fleurieu and Kangaroo Island, focus their investment attraction offerings on the markets that most closely align to the project, infrastructure and business offerings of their respective regions.

Adelaide Hills

The Adelaide Hills region can be described as comprising part of the Greater Adelaide Area, and encompasses major population centres such as Mount Barker. This region also has diverse premium food and beverage, tourism and hospitality offerings which are potentially attractive for strategic investors from South East Asia and India. The Adelaide Hills region, as part of the Greater Adelaide area, also has perceived benefits of being part of the urban zone, and therefore 'close' to the international airport. AsiaAustralis in-Asia research has identified this characteristic as being an important investment attraction factor for investors into residential and commercial real estate. The markets of focus for this region have been assessed as:

1. Singapore
2. Malaysia
3. Thailand
4. India
5. Indonesia
6. Vietnam

Singapore and Malaysia have some of the largest real estate investors in Australia, comprising residential, commercial and tourism investments. This recent history of investment into Australia in this sector demonstrates the appetite of Singaporean and Malaysian investors to look for this form of investment opportunity. Agriculture and agribusiness investments have also been demonstrated to come primarily from Singaporean and Thailand over the past five years, and therefore should be considered a critical part of the strategy for this sub region.

Fleurieu Peninsula

The Fleurieu Peninsula region can be described as comprising part of the Greater Adelaide Area, and encompasses major population centres such as Noarlunga and Seaford. This region also has diverse premium food and beverage, tourism and hospitality offerings which are potentially attractive to strategic investors from South East Asia and India. The Fleurieu Peninsula region, as part of the Greater Adelaide area, also has perceived benefits of being part of the urban zone, and again 'close' to the international airport. AsiaAustralis in-Asia research has identified this characteristic as being an important investment attraction factor for investors into residential, and commercial real estate. The markets of focus of this region have been assessed as:

1. Singapore
2. Malaysia
3. Thailand
4. India
5. Indonesia
6. Vietnam

Singapore and Malaysia have some of the largest real estate investors in Australia, comprising residential, commercial and tourism investments. This recent history of investment into Australia in this sector demonstrates the appetite of Singaporean and Malaysian investors to look for this form of investment opportunity. Agriculture, and agribusiness investments have also been demonstrated to come primarily from Singaporean and Thailand over the past five years, and again should be considered a critical part of the strategy for this sub region. Furthermore the McLaren Vale wine region provides an opportunity for investors from Singapore and Malaysia where there is increasing growth in Australian exports of wine.

Kangaroo Island

The Kangaroo Island region has diverse premium food and beverage, tourism and hospitality offerings which are potentially attractive to strategic investors from South East Asia and India. The focus of this region should be on its agricultural and premium food offering, in addition to its unique tourism location. The markets of focus of this region have been assessed as:

1. Singapore
2. Malaysia
3. Thailand
4. India
5. Indonesia
6. Vietnam

Agriculture, and agribusiness investments have demonstrated to come primarily from Singaporean and Thailand over the past five years, and therefore should be considered a critical part of the strategy for this sub region. Furthermore, the Kangaroo Island wine region and seafood sector provides an opportunity for investors from Singapore, Malaysia and Vietnam where there is increasing growth in Australian exports of wine and seafood, including lobsters and crayfish.

9.2 Recommended Strategy

The following summary Investment Attraction Strategy is recommended for the RDAHC and its regions based on the evidence research undertaken for this report including AsiaAustralis' detailed in-market knowledge.

Country Priority	Industry Sectors	Potential Investment Targets (Examples Only)
Priority #1 - Singapore	Commercial Real Estate Tourism/Resort Development Food and Wine Agriculture/Agribusiness Infrastructure	Major Investment Facilitators: • Temasek • GIC Real Estate • Macquarie Capital • Arcapita • Freehills Lawyers • Loyens & Loeff • Oxley Capital • Standard Chartered Bank • Citibank Private Bank • Colliers • Jones Lang LaSalle • Och-Ziff Singapore
Priority #2 - Malaysia	Commercial Real Estate	• SP Setia • EcoWorld • Gamuda Land • UEM Group
	Tourism/Resort Development	• Pacific Challenge • KFM
	Food and Wine	• Dole International • Pacific Food Products
	Agriculture/Agribusiness	• Dole International • Rush Group Malaysia
	Infrastructure	• Gamuda

Competitively, South Australia (and the RDAHC region) is coming from a weak position in terms of profile and attracting foreign investment into major development and industry projects. Critical issues from a process perspective are:

- No in-market profile or marketing strategy.
- Perceived attractiveness of Sydney and Melbourne (and Brisbane to a lesser extent) for investment compared with Adelaide and its regions.

In addition to the above strategic focus, it is recommended that the RDAHC undertake the following as key elements of its Investment Attraction Strategy:

- Gaining a better understanding of the investment objectives and investment criteria of major fund advisers and investors by collaborating with Singaporean investment advisers and Singaporean/Malaysian investors.

- Maintaining adviser/investor relations through an appropriate communications strategy and information database independent of personnel changes.

- Packaging and positioning a portfolio of RDAHC projects and incentives for consideration by advisers and investors.

- Offering supporting infrastructure and facilitation services to foreign investors that eliminate or minimises investment hurdles such as planning requirements and government approvals.

- Generally raising the profile of the RDAHC region and its attractiveness as an investment destination with the Singaporean and Malaysian based investment community.

The RDAHC Investment Attraction Strategy could be implemented in collaboration with the South Australian Government Commercial Representative in Malaysia, or independently and in collaboration with selected Singaporean and Malaysian organisations. The latter is the preferred approach (with involvement of the Commercial Representative) as engaging with private sector organisations that will commercially benefit from investment transactions provides the incentive for a successful strategy.

The implementation of this Investment Attraction Strategy around Singapore's financial connections and Singaporean/Malaysian investors must recognise and consider the structure of sources of foreign investment. Market intelligence, that is possible sources of investment and associated investment criteria, will come from four principal foreign investment sources:

- Singapore and Malaysian Government owned enterprises

- Private investment funds
- Pension funds
- Local corporates

The identification of opportunities to source foreign investment from these sources relies on the formation and maintenance of strong commercial partnerships with the entities recommended in the above strategy. It also requires the communication of opportunities for investment in RDAHC projects and the promotion of compelling business cases for specific investment opportunities.

In order to effectively implement this investment attraction strategy, supporting infrastructure must be firmly established and be independent of personnel changes. This includes investor information and their specific information needs along with investment facilitation services. Investor information includes the sourcing and maintaining of relevant information on both the supply and demand sides of the strategy i.e.: prospective investor details and projects meeting their investment criteria. Information must be easily and immediately accessible as investors and their agents often have strict deadlines and require quick response times. There are generic information needs that will be sought by most investors that should form a part of the profiling and promotion of the RDAHC region (e.g.: infrastructure availability, socio-economic trends, etc.) and there will be specific investor criteria needs that will need to be addressed in relation to specific projects (e.g.: development plans, environmental compliance requirements, available services, etc.).

In terms of facilitation services, supporting infrastructure should include both government and private sector services. Dedicated resources should be available to facilitate the investor’s passage through government planning and approval processes, and arrangements should be in place to ensure that investors have ready access to advice on investment vehicles and the structuring of investments to maximise the benefits and returns to the investor (e.g.: legal and taxation advice).

In conclusion, it is an opportune time to be promoting investment to the Singaporean and Malaysian investment communities. Despite the recent global financial crisis, there is renewed interest in Australian investment projects and new sources of capital become especially important at a time when other funding sources in Australia are becoming difficult to secure. A Singaporean/Malaysian focussed investment attraction strategy is also consistent with South Australia’s SE Asia Strategy.

Finally, a successful investment attraction strategy based around the Singaporean/Malaysian investor community will require the commitment of human and financial resources. Most importantly it is recommended that RDAHC:

- Ensure that it has an initial package of investment projects large and interesting enough to attract the interest of the Singaporean and Malaysian investment community.

- Ensure that the RDAHC has the information management systems in place to facilitate the management of intermediaries and their associated requirements for rapid responses to requests for additional information.

Asia Australis is able to facilitate access to key facilitators/investors should RDAHC require further assistance.