



Our New Sense of Confidence

An Interview with The Honorable
John Howard, Prime Minister, Australia

EDITORS' NOTE John Howard was sworn in as prime minister of Australia in March 1996, after building extensive senior experience in both government and opposition. He was appointed minister for business and consumer affairs in 1975, at the age of 36, and subsequently served as minister for special trade negotiations and as treasurer of the commonwealth for more than five years. He served as leader of the parliamentary Liberal Party – and, therefore, leader of the opposition – from 1985 to 1989, returning to that position by unanimous vote in 1995. In the interim period he served as coalition spokesman for a number of senior portfolios. Howard graduated from the University of Sydney with a bachelor of laws degree, and worked in a Sydney law firm prior to his first election to parliament in 1974.



Patrick J. Gillis (right), LEADERS President, International, interviews Prime Minister Howard in his office

Of the many important issues facing Australia, which are of particular concern to you?

On the domestic scene, further economic reform and further changes to our workplace relations system, to make it even more flexible. That's the most important change domestically we have on our plate right now. We have a very strong economy. We have a surplus budget, and we need to keep further reform going to keep our productivity high. And, as I said, we need to change the workplace relations system. That is very high on my list of domestic priorities – that, and enhancing the skills base of our workforce.

A common problem that developed countries have is a shortage of skilled tradesmen. And one of the reasons we have fewer skilled tradesmen than we would like is that the rewards for unskilled work in a booming economy, particularly for younger people, are so good that a lot of them are attracted to the prospect of immediate financial returns; there are unskilled jobs available when they leave school, and they give no thought to getting a qualification. It's a common phenomenon, and it's particularly appealing at the moment because our economy is so strong. So those are

the two biggest challenges we have on the domestic scene.

Internationally, the key issues are the ongoing response to terrorism, our involvement in Iraq, and our involvement in the Pacific, helping many of the smaller island states to stabilize their economies and reduce corruption. Those are major challenges.

You mentioned the ongoing response to terrorism. How is the war against terrorism going right now?

It's a slow process, but I think we are making headway. But it will be years before we can even think of declaring victory. It's just a very slow process, but there are a lot of encouraging signs – and two in particular.

First, there's the emergence in our region of strong, moderate Islamic leaders like President Yudhoyono of Indonesia. Indonesia is the largest Islamic country in the world, and if Indonesia can successfully transition to democracy, which it has done, and can begin to be more successful economically under moderate Islamic leadership, then that's the best antidote of all to terrorism. You need the luxury of security responses, but you also need to show the populations of countries that there is a future with moderate Islam. You need both. There is a future in rejecting terrorism, because it's not so much that

the terrorists are poor – some terrorists are anything but poor – but rather, that they try to exploit other people's poverty.

The other welcome sign is that we're starting to see progress in settling the ongoing dispute between Israel and the Palestinians. That is so visceral to people around the world. I mean, I am the leader of a government that has been a very strong supporter of Israel, and we always will be. Not everybody recognizes that settling this dispute is crucial. It's going to be very hard, but we're making progress. President Bush was right in insisting on not negotiating with Arafat. He was absolutely correct, because Arafat was either disinterested in a settlement or incapable of achieving a settlement; I don't know which, and it doesn't matter. The result was the same, and President Bush was absolutely right on that score.

After taking steadfast and principled stands on the Iraq war and the war against global terror, you, President Bush, and British Prime Minister Tony Blair were all re-elected relatively easily. How were you able to overcome fairly intense opposition to your stand in favor of the Iraq war and your aggressive response to terrorism?

There was a commonality in the situation among the three of us, that's quite

right. But there were some important domestic differences. In the case of Australia, when we decided to join the coalition in Iraq, there was strong opposition on that issue. But when we made the decision, a lot of people accepted that the government had decided to act as it did for what it believed were good reasons. And there were other issues weighing on people's minds – for instance, the strength of our economy. It would be misleading for me to say that the word “Iraq” dominated our election campaign; it did not. But it was there all the time, and the media and our political opponents attacked it. I think our opponents here were very confused in their argument. They didn't have a black-and-white position. They said they were against our decision, but they said they were glad Saddam Hussein had been removed. And they said they thought that Iraq was working on weapons of mass destruction before the war started, just as everybody else did. But they thought it should have been left to the United Nations to get rid of them. So they presented a very muddled alternative. We presented ourselves as more determined. We have also been fortunate in that we have taken only very light casualties.

I also think that people place great store in Australia's alliance with the United States. It's a historic alliance and even people who have some reservations about involving ourselves in the operation

would say, “Well, the alliance is important and we must always give deference to that alliance when making these decisions.”

I think those were the main reasons why our decision was supported, but there were periods when the press here ran very strongly against us. We just kept our nerve. Another reason is that the people are now starting to see some dividends. The Iraqi election had a big impact on people. Australians were very moved by the sight of eight million people voting in the most appalling security circumstances. That was very, very impressive.

Shifting to your domestic economy, why should our readers seriously consider investing in Australia?

Because Australia has economic and political stability without parallel. We speak the same language and have essentially the same values as those found in the West. Our sense of humor is a bit different – not too much, but it is a bit different. And we have good governance and clear rules. That's not a bad start, really, is it?

People in the world of investment capital want a strong economy, political stability, and the ability to easily understand the language and culture, and they want to feel at home and want to know that the rules of the road are clear. Now, sure, there will be individual decisions that are going to be influenced by other considerations, but we've had 14 years net

debt-to-GDP ratio, which is quite remarkable. And when it comes to fiscal policies, we're in fact more disciplined than the United States. We would like to see the American budget in balance. We are very proud of the fact that we inherited quite a large budget deficit, and now we have a net debt-to-GDP ratio of about 2 percent.

That has to be one of the best debt-to-GDP ratios in the world.

It is indeed. The other key advantage of investing in Australia is that it is located in the Asia Pacific region. We have very strong strategic and historic ties with America, and also with Europe. We offer our strong ties with both in a way that no other country can. We occupy a very interesting intersection of history, economics, and geography.

When you look back on your days as prime minister, what will you be most proud of?

I'll be very proud of the sense of self-confidence that Australians have developed, and their belief in their abilities. There's no diffidence about Australians as they go around the world. They're not triumphant, but they're not diffident. They've never really been diffident, but there's a new sense of confidence, and I think people see us in that light. I think that that strong feeling of self-belief and self-confidence is the single achievement I am most proud of. I've made a contribution to that. ●



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Pfizer Australia's Focus

An Interview with John Young, Regional Director, Australia & New Zealand,
Chairman and Managing Director, Pfizer Australia Pty Ltd, West Ryde, New South Wales

EDITORS' NOTE After earning his B.Sc. in biology from Glasgow University, John Young joined Pfizer in the United Kingdom as a medical representative in 1987. He completed his M.B.A. at Strathclyde Graduate Business School in 1994, and over the next few years progressed through a number of sales and sales management roles, before being appointed cardiovascular marketing manager in 1997, U.K. sales director in 1998, and U.K. marketing director in 2000. Young was appointed to his current position in June 2004.

COMPANY BRIEF With a history dating back to 1886, Pfizer Australia has grown to become one of the nation's leading health care companies. Pfizer Australia is the nation's leading provider of prescription medicines and consumer health care products, and its animal-health business is amongst the strongest in the country. Pfizer Australia employs more than 2,000 people, and annual exports from its four manufacturing plants have an Australian market value in excess of AUD600 million. Pfizer Australia will also spend approximately AUD45 million this year on local research and development.

Could you give a broad overview of the Australian health care system, which is widely held up as providing some of the best health outcomes of any OECD country?

Australian health care professionals are the equal of any in the world in diagnosing and managing disease. The system in Australia also excels in the universal provision of health care to its citizens. However, like many other countries, there is a greater focus on the treatment of chronic disease than there is on the prevention and early treatment of disease. While we all want the best possible treatment, including hospital care if we are seriously ill, it's far better to look at how the health care system could minimize the need for costly treatment after disease is established, by focusing more on prevention and early treatment.

That's a point of view that also



John Young

has some currency in the U.S., where the proportion of the population in the upper age bracket is increasing exponentially. Is that the same story in Australia, and is it something that your policy makers are also aware of?

The aging population is a key issue for many developed countries, and certainly the subject of high-profile debate in Australia. The need to provide appropriate health care as the population ages is acknowledged by the Australian government as something that will present significant challenges in the next 20 to 30 years, particularly in a country where health is so heavily subsidized.

It will be critical for decisions that are made now to take a long-term view on how the health care system can enable longer, healthier, more productive lives for Australian citizens. Focusing on disease prevention is key, allied to appropriate early treatment, and of course we believe that, appropriately used, medicines have a key role to play in this.

Too often, medicines are viewed as a cost, rather than an investment in the future health of the population. I hope that Pfizer Australia can be a part of the solution by working with federal and state governments to explore how chronic disease can be managed more efficiently, given our experience in chronic-disease-

management programs in the U.S. and the U.K.

Can you expand on the mechanism by which the Australian government delivers subsidized medicines and the role Pfizer Australia plays in this?

The central pillar for the provision of medicines is the Pharmaceutical Benefits Scheme [PBS], which has provided universal access to medicines for 60 years. It uses a so-called "reference pricing system" where every medicine is referenced to a comparator – usually an older generic medicine – in terms of its cost and its benefits. This has historically enabled Australia to buy new innovative medicines at prices below those charged in many other developed countries. Unfortunately while this system sounds wonderful, it is flawed in two respects.

Firstly, if every country adopted an approach that does not recognize a need to pay a premium for innovation, there would be no privately funded research and development into new medicines. Who would invest in an industry sector with a high level of risk, if there is not the possibility of an appropriate return on that investment? Increasingly, countries like Australia will have to make hard choices about which innovative medicines it provides for its citizens.

Secondly, the very system which has enabled Australia to gain access to innovative medicines at relatively low prices creates artificially high prices for off-patent generic medicines. When a medicine goes off patent, in a free-market system, a purchaser would normally expect market forces to drive the price of that commodity down significantly. This is what happens in the U.S. and U.K. today, for example, where the price of a generic often falls by more than 80 percent.

Australia's reference pricing system causes every medicine in a class to be referenced to each other, thereby removing price competition as a competitive advantage for generic companies in their price offers to government. So the price reductions the government obtains from generic companies when a

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medicine goes off patent are often relatively modest – in the order of 10 to 20 percent – with the differential margin being used to bonus pharmacists to buy a company’s own generic brand. This doesn’t benefit the government, the patient, or the taxpayer.

So what’s the solution?

Reforming the reference pricing system and creating a freer market for generics could help the government accrue the savings that would be expected from these older commodity medicines. This could be achieved through creating a system where generic medicines are referenced in one group and patent-protected innovative medicines are referenced separately. This would generate significant savings from off-patent generic medicines, and still allow globally competitive prices to be paid for innovative new medicines, preserving future access to these medicines for Australians.

We recognize that the government’s investment in the PBS has grown significantly over the past 10 years, and this investment has delivered improved health outcomes. For every dollar invested in the PBS around AUD4 is saved through averting hospital treatment.

Surely keeping the cost of the PBS down is a key focus for your policy makers.

It is, but recently published figures suggest that PBS growth for the first six months of 2005 is below 3 percent, which is well under the government’s budget projections of 10 percent. With the impact of other cost-saving measures still to kick in, there is every possibility that the PBS could show flat or even negative growth this year.

This demonstrates that there is no budget blowout on the PBS, and we believe it is an opportune time to carefully evaluate reform options that can more efficiently achieve the goal of improving health care and productivity for Australians over the coming years.

Would this reform result in higher prices for patent-protected medicines?

The majority of opportunities for price

changes in the form of lower prices are in the off-patent generic market. Off-patent medicines account for around 54 percent of PBS prescriptions, so there’s a significant saving that could be applied elsewhere in the system. I don’t see the price of medicines which are currently available in Australia changing. However for new generations of innovative medicines, in areas such as cancer, some of which are extremely expensive to research and produce, Australia will have to consider paying more than it would have historically if it wants to provide them on the PBS.

Why would your company be considered a stakeholder in Australian health and especially the PBS? Surely you’re just a local affiliate of a much larger global organization?

Pfizer Australia, in common with other research-based medicine companies, agrees strongly with the government that the PBS system has been part of the landscape for 60 years, is here to stay, and needs to be sustainable. We’ve had a presence in Australia for 119 years, so, like the PBS, we’re here for the long term, too.

What I want to do is make sure that we build on that heritage and concentrate on working with other key stakeholders in health care, rather than in isolation – or even worse, in opposition – given what I believe is the common goal of improving the quality of life for patients.

In a nutshell, what will be the cooperative way forward, and what’s the downside if it doesn’t happen?

Our CEO, Hank McKinnell, is a strong advocate for removing the fixation from the cost of health care and putting it where it belongs – on the cost of disease. That’s something all Australian businesses, policymakers, politicians and health care professionals have a collective responsibility to do.

The average Australian life expectancy has increased by 22 years over the past century, and improvements in standards of living, primary care, hospital care, and, of course, medicines have all played a part. Australians understandably want health care to be free or to cost as little as possi-

ble. The problem is that if we view health care as a cost, it will lead to the rationing and price controls that Hank McKinnell describes in his book *A Call to Action*.

We need to consider how we can prevent disease and appropriately utilize medicines better, or our children and grandchildren won’t be able to reflect on a similarly dramatic advance in the quality and efficiency of health care in their lifetime. We’ve seen the consequences of considering costs and not benefits in our nearest neighbor, New Zealand, where rationing of clinically appropriate access to medicines by a government agency, Pharmac, has resulted in significantly poorer health outcomes than in Australia.

For example, in mental health, New Zealand spends twice as much per capita as Australia, but their outcomes are no better than in Australia and their suicide rate is higher. For cardiovascular disorders, New Zealand’s rate of medicines is modest compared with other OECD countries, but their death rate from circulatory diseases is 15 percent higher than in Australia. New Zealand has higher rates of interventions than Australia, including higher rates of expensive and disabling dialysis, higher rates of cardiac bypass surgery, and even higher rates of heart transplants.

The New Zealand experience shows that you can’t apply pressure to one area of the health mosaic without risking a tile popping out somewhere else. In my view, things like lifestyle changes go hand-in-hand with the appropriate quality use of medicines.

And finally, what is Pfizer Australia’s broad vision for the future?

Our vision is not to be simply the biggest provider of medicines in Australia. Our vision is to be Australia’s most-valued health care company. We recognize that to achieve this aspiration, we need to partner with many stakeholders, including state and federal governments, health care professionals, and patient organizations, to build trust with them and demonstrate that we really are a part of the solution to delivering the best health care to Australians, now and in the future. ●



Woodside's Double-Double Strategy

An Interview with Donald R. Voelte, Managing Director and Chief Executive Officer, Woodside Energy Ltd., Perth

EDITORS' NOTE Don Voelte's 30-year career in oil and gas began with Mobil in the United States, and has included work in Indonesia, Africa, the Middle East, the United Kingdom, and Norway. In 1995 he joined Atlantic Richfield Company, initially as senior vice president, corporate planning. After five years with that company, he became director, president, and CEO of Houston-based Chroma Energy, a fledgling technology provider that he grew into an integrated equity exploration and producing company. He was appointed to his current positions in April 2004. Voelte holds a bachelor of science degree in civil engineering from the University of Nebraska.



Donald R. Voelte

COMPANY BRIEF Formed in 1954 and headquartered in Perth, Woodside Energy Ltd. is Australia's largest publicly traded oil and gas exploration and production company, operating more than 75 joint ventures on behalf of 39 participants in Australia, Africa, and the United States. Providing liquefied natural gas [LNG], natural gas, crude oil, condensate, and liquid petroleum gas in countries around the world, Woodside operates the production of more than 200 million barrels of oil equivalent a year.

You've noted that Woodside Energy has doubled in size in the last five years and is expected to double again in the next five to six years. For readers who may not be aware of the extent of Woodside Energy's breadth and scope, could you elaborate?

Woodside produces around 60 million barrels of oil equivalent per year, which makes us a "mid cap" energy company by world standards. Our main project is the North West Shelf Venture in the northwest of Western Australia, where we are the operator and equal equity holder with about 17 percent of the project. It is Australia's biggest resource project and its gas reserves are underpinning liquefied natural gas contracts that will last for at least another 30 years.

We have recently announced the development of the fifth phase of the development, which includes a fifth LNG

processing train that will boost capacity to nearly 16 million metric tons a year and take investment in this project to more than AUD16 billion. Our success in Australia is helping to fund our global aspirations. We are currently active in 11 countries, and by early next year, we will have production from Australia, Algeria, Mauritania, and the U.S.

Based on that overview, and the fact that Woodside Energy is, in your words, "trying to grow investors' interest in the company," what are the best reasons for investors to own shares in Woodside Energy?

I will comment on the macro environment for energy companies later, but, put bluntly, the North West Shelf is one of the world's great gas resources, and the cash flow that it generates allows us to pursue opportunities when they arise.

I believe Woodside is on the cusp of major international growth, although we will remain an Australian company with an Australian culture and Australian values.

Our project list currently has eight approved developments, with total planned expenditure over the next three years of nearly AUD10 billion on behalf of Woodside and its joint venturers.

As well as the major expansion that we will enjoy with the North West Shelf, Woodside's growth will also come from other projects we will develop over the

next three years. They include:

- The Chinguetti oil project off Mauritania in West Africa, where we expect to begin production early next year;
- The Otway gas project off Victoria, in southern Australia, the first phase of which will start production mid next year;
- The Enfield oil project off Western Australia, which will be in production later next year;
- The Neptune oil and gas project in the Gulf of Mexico, with production possible by late 2007;
- The Midway gas project in the Gulf of Mexico, which will start production later this year; and
- A two-stage development of our Perseus gas field over the next two years and the development of the Angel gas reservoir on the North West Shelf should be in production by 2008.

We have also turned our attention to two other exciting "prospects" that I believe are company makers. These promising opportunities – the Pluto and Browse gas fields off the northwest Australian coast – are moving toward the project list. With a 100 percent interest in Pluto and about a 50 percent interest in Browse, these assets have the potential to replicate and be a multiple of the North West Shelf.

Elsewhere, we have the Sunrise gas project in the Timor Sea, which could be developed when we have legal, regulatory, and fiscal stability. And we are pursuing other opportunities in Mauritania, Libya, Algeria, Kenya, Sierra Leone, Liberia, and the U.S. It's a very good growth story for investors, backed by long-life assets, strong cash flow, and a first-class operating record.

Woodside Energy's contributions to the Australian economy have been extensive and significant.

You are right when you say they have been extensive and significant. The North West Shelf alone has involved capital investment of more than AUD14 billion and the Phase 5 expansion will involve expenditure of another AUD2 billion. About AUD900 million of that work will go directly to Australian companies – companies employing Australians and using Australian materials. ●



Saving Lives Down Under

An Interview with George Hateley,
Australia Representative, TASER International, Inc., Melbourne

EDITORS' NOTE *During an 18-year career with the Victoria Police Force (Australia), George Hateley spent eight years as a member of an anti-terrorist unit, involved in the high-risk arrest of violent criminals. In 1985 he formed a personal-protection company, and proceeded to provide protection services to an impressive roster of well-known figures, including Frank Sinatra, Liza Minnelli, and Bill Gates. He passed the TASER Master Instructor course in 1999, and since then has trained some 50,000 Australian police officers in the use of TASER.*

COMPANY BRIEF *Founded in 1993 and based in Scottsdale, Arizona, TASER International, Inc., provides advanced non-lethal devices for use in the law enforcement, military, private security, and personal defense markets. Utilizing proprietary technology, the company's devices safely incapacitate dangerous, combative, or high-risk subjects who pose a risk to law enforcement officers, innocent citizens, or themselves. With approximately 250 employees, TASER International (Nasdaq: TASR) reported sales of \$67.6 million and net income of \$19.1 million in 2004.*

You have described the introduction of TASER products to the Australian market as "pretty positive." Why?

Because TASER is such a viable alternative to the use of lethal force, there has been strong support expressed by all elements of the community. This includes the police, politicians, coroners, ombudsmen, police unions, and the public generally. The media, in the main, has also been very positive about the use of TASER.

On each occasion where there has been a death or serious injury resulting from a confrontation involving police, there have been repetitive calls from the public, generally, for all operational law-enforcement officers to be equipped with TASER.

It has been particularly interesting to listen to "talk back" radio when there is a discussion on the use of lethal or nonlethal force. TASER is constantly referred to in these discussions as the only truly viable option to avoid an otherwise lethal outcome.



George Hateley

You've been concentrating your sales efforts on Australia's police forces and government agencies. What feedback have you been receiving?

There has been an overwhelming stream of positive feedback from law enforcement officers following the introduction of TASER as an alternative to the use of lethal force. The salient aspects of the feedback can be summarized as follows:

- TASER has saved lives in circumstances where, prior to the introduction of TASER, the only viable option would have been the use of lethal force to negate a "real and impending" threat to the lives of operational personnel, or those who they were seeking to protect at the time.

- With TASER, operational personnel now have a viable option that has the same instantaneous physically negating effects as a firearm on individuals who may be affected by rage, drugs, alcohol, or mental illness.

- The introduction of TASER has assisted in minimizing injuries to both suspects and police members. Statistics have shown that prior to the introduction of TASER, both parties would suffer short- and long-term physical and psychological harm in most cases.

- There is overwhelming satisfaction among officers who would normally need to engage physically with a suspect and risk severe trauma as a consequence of a

potentially life-threatening experience.

- Officers have stated that being armed with TASER gives them greater confidence to deal with the most dangerous or volatile situations.

How do you see TASER's products evolving in Australia in coming years?

Australia is similar to the United Kingdom in that it is very conservative and cautious when it comes to the introduction of new weaponry. Therefore it will take time to achieve high-level market penetration, no matter how positive the feedback or viable the alternative. In time, and to the extent that budgets will allow, we expect that TASER will be gradually introduced to law enforcement more comprehensively than we are currently experiencing.

Do Australians perceive TASER as being a life-saving device?

The majority of people who have been exposed to TASER technology believe TASER to be a life-saving device. The difficulty being experienced by law enforcement organizations here relates primarily to budgetary constraints, as the cost of equipping a large proportion of operational personnel is significant. It is our strong belief, however, that despite the initial investment cost, in the long term, TASER will save money for law enforcement organizations. The basis for that belief can be summarized as follows:

- The significant cost associated with the need to involve the various investigative bodies when a fatal or near-fatal shooting occurs. Typically this would include a homicide squad team, internal affairs personnel, external investigative bodies, ombudsmen, and the medical examiner. The need to hold an inquest, not to mention the often-associated damage to an agency's reputation, is also a consideration.

- The potential cost of litigation in the event that someone is killed, injured, or caught up in a traumatic event.

- The negative effects on the lives of those involved and the negative impact on their overall ability to cope with the issue over the long term.

- A figure of \$1 million per police shooting is not unrealistic. ●



An Easier Way to Get to Know the Tigers and the Dragons

An Interview with Garry Draffin,
Chief Executive Officer, Invest Australia, Canberra

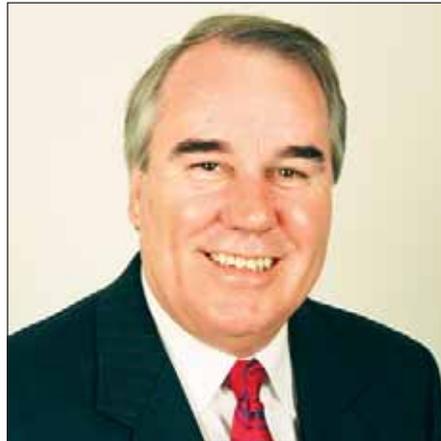
EDITORS' NOTE As head of Invest Australia, Garry Draffin coordinates the Australian government's approach to attracting investment. He has extensive experience in international and domestic markets and has held CEO positions in both the private and government sectors. Draffin has been the CEO of Telecasters Australia Ltd, Queensland Tourist and Travel Corporation (now Tourism Queensland), Wesgo Ltd, and Contiki Travel International. He is a fellow of the Australian Institute of Company Directors.

AGENCY BRIEF Invest Australia, the national inward-investment agency, helps international companies build their businesses in Australia. The agency is represented in major American, European, and Asian markets. Over the past three years, Invest Australia has played a role in attracting 195 projects worth AUD26 billion, involving over 15,000 jobs. Invest Australia has investment specialist teams based in San Francisco and New York to facilitate investment from North America.

Why should Australia be important to U.S. investors?

The global economic picture shows the opportunities Australia offers to American investors. Over the next 20 years, Asia's economies will reach a similar size and level of activity to those in the U.S. and Europe. During that time, more than a billion new wealthy consumers will emerge. So the major issue facing U.S. companies is how the world's largest economy – the United States – engages with the world's fastest-growing region, Asia Pacific. And that's where Australia can play a major part. Australia is essentially the contemporary business base for Asia Pacific investment. And we are no longer just a resource-based economy – rather, we are a sophisticated knowledge-based economy with services now accounting for more than 80 percent of gross domestic product.

What does Australia have to offer U.S. investors looking to the Asia Pacific region?



Garry Draffin

Of all the countries in Asia Pacific, Australia has the closest ties with the U.S. It's the only country in the region with similar standards of corporate governance, a comparable legal framework, and a similar way of doing business. A collegial approach is vital to business success, but it's very difficult to achieve when you're trying to break down cultural barriers. Australia's unique cultural relationship with Asia and its geographic proximity have made our country a major business bridge for U.S. investors to Asia Pacific.

Australia is the only country in the region where you can find all the Asia Pacific region's ethnic groupings. That's a key reason why the country is now home to the regional headquarters of more than 800 international companies.

And Australia's reputation as an investment destination is growing. Over the last five years, the stock of foreign direct investment [FDI] in Australia has increased by 115 percent to a record \$250 billion in March 2005.

What security does Australia offer to U.S. investors?

Australia offers an environment that is uniquely secure in Asia Pacific, not only politically but also economically. Australia is now in its 14th year of uninterrupted economic growth and has been ranked the world's most resilient economy for

four years in succession. This economic strength is enhanced by a raft of free trade agreements [FTAs] – with New Zealand, Singapore, Thailand, and now the U.S.

The Australia-U.S. FTA is a reflection of the close political and economic relationships between our two nations. It is the broadest FTA the U.S. has signed, outside NAFTA, and the first with another developed nation since NAFTA.

How will the Australia-U.S. FTA benefit U.S. investors?

The free trade agreement couldn't come at a better time for American companies looking to Asia. Most economists suggest that increasing direct investment flows between Australia and the U.S. will be one of the major benefits of the agreement. American investment in Australia will be streamlined, with the threshold for reviewing foreign investment proposals by Australia's Foreign Investment Review Board now lifted from AUD50 million to AUD800 million for most investments originating in the U.S.

Virtually all export tariffs between the two countries have been eliminated, which will make Australian markets even more attractive for U.S. companies.

What industries offer opportunities for U.S. investors?

Although a substantial amount of U.S. investment into Australia is from manufacturing and resources corporations, there are growing and significant investments in other areas – especially services. Australia looks set to become the services hub for the Asia Pacific region, which represents major opportunities for U.S. investors for the transfer of technology and intellectual capability.

A major area of opportunity is financial services, where Australia is already a substantial global player and the most sophisticated center in the region. Foreign-exchange turnover against Australian dollars has now risen to around AUD71 billion per day. We have the fourth-largest pool of investment funds under management in the world, at more than \$635 billion. It is also a rapidly growing sector and many major U.S. financial institutions are already represented here. ●