



SURVEY OF INTERNATIONAL BUSINESS OPINION

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INTERNATIONAL BUSINESS SURVEY

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EXECUTIVE SUMMARY

The International Business Opinion Survey

The Australian Centre for International Business in cooperation with *The Australian* conducts six-monthly surveys of international business opinion.

The survey is completed by over 160 CEOs of the most important Australian and foreign – owned international firms in Australia.

The State of the International and Australian Economy

CEOs were asked to provide their assessment of the state of the international and Australian economy for the next six months, including growth prospects, competition and the openness of the international economy.

Investments, Exports and Investment Intentions

The Survey provides information on actual investment and exports over the past six months and forecast investments and exports for the next six months. The Survey also provides data on investment intentions.

Nine Regions

Detailed responses for nine regions are available for investments and exports, including SE Asia, North America and the European Union.

Benchmarking Against Competitors

The data in this Report on investment and export intentions allows your firm to assess your investment and export strategy against your competitors market-by-market.

Major Findings

- CEOs forecast boom in global and Asian economies, with 78% predicting stronger Asian growth and 58% stronger global growth.
- Doubling of Export Index propelled by Western and Asian demand.
- All CEOs predict Asia as a boom export market, with the recovery of the Japanese and Korean markets and strong export growth in SE Asia.
- Investment surge by Australian-based firms, with a doubling of the overseas investment index.
- Asian markets join North America and Europe as prime investment destinations.
- Asian investment opportunities continue to attract Australian-based CEOs.
- The 1999 caution of Australian CEOs gives way to bullish view of global and Asian growth.

Centre's Mission Statement

The Australian Centre for International Business is a collaborative venture between the University of Melbourne and the University of New South Wales. Drawing on the strengths of two of Australia's leading universities, the Centre creates a leading international business research group in Australia.

The mission of the Centre is to conduct leading edge research in international business, educate future international business leaders and consult with business and government.

INTERNATIONAL BUSINESS OPINION SURVEY

INTRODUCTION

Surveys of CEOs Investment and Exports Forecasts

The Australian Centre for International Business conducts six-monthly surveys of international business opinion. Over 160 CEOs or chairs of Australia's largest foreign and Australian-owned international firms participate. The survey is confidential; participants are not revealed.

Actual and forecast investments, exports and investment opportunities are surveyed for the previous and for the next six months.

Benchmarking and Strategic Planning:

The Survey allows your firm:

1. to benchmark your perceptions of the state of the global, Asian and Australian economies against other Australian-owned and foreign MNEs; and
2. to assess your actual past investments and exports and forecast investments and exports in 9 regions against those of other Australian-owned and foreign MNEs.

ACIB's In-depth Analysis

The ACIB provides an in-depth analysis of the investment and export data. The analysis covers 9 regional markets (including Australia, South-east Asia, North Asia, European Union and North America) for domestic and foreign owned firms; firms with and without Asian operations;

large and small firms; and firms in different industry classifications (manufacturing and non-manufacturing).

Endorsements

The Australian exclusively reports the Survey of International Business Opinion in its business pages. Past surveys have been endorsed by Mr Peter Reith (Minister of Employment, Workplace Relations and Small Business) and the Business Council of Australia.

THE INDEXES

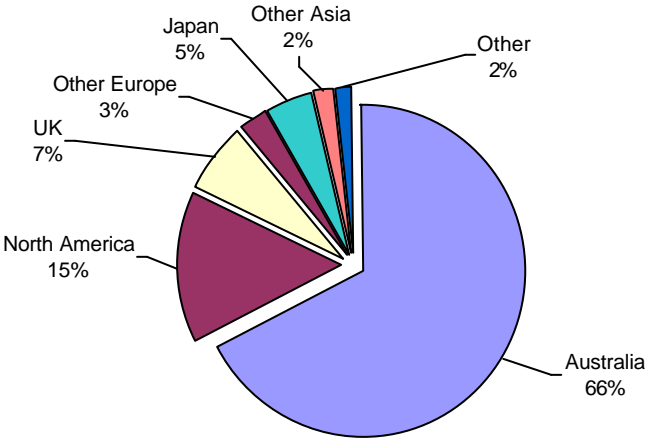
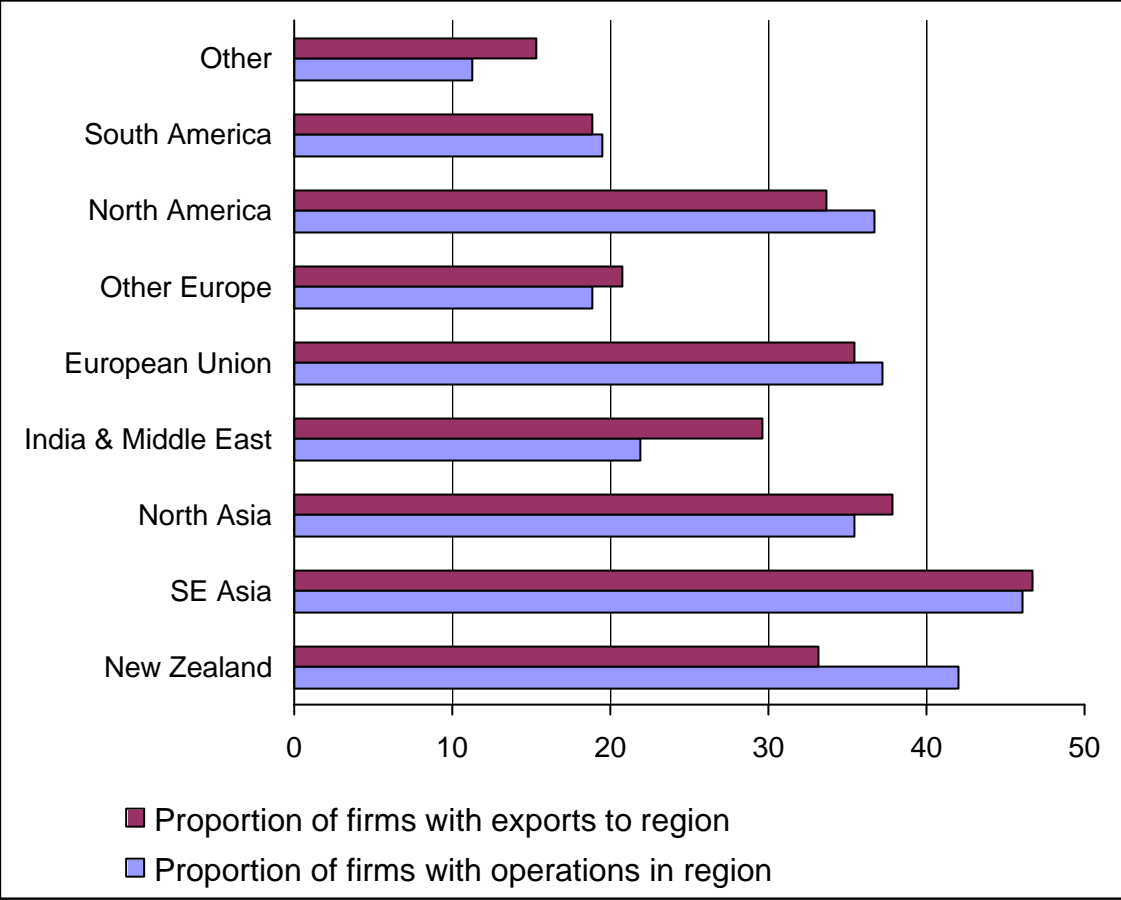
Each index ranges between -100 and +100. When the investment index is -100, every respondent forecasts a fall in investment over the next six months. When the investment index is +100, every CEO forecasts a rise in investments during the next six months. A zero (0) index implies that all respondents forecast that all future investments were the same, or that respondents predicting a rise in investments were exactly offset by respondents predicting a fall in investments.

THE DATA

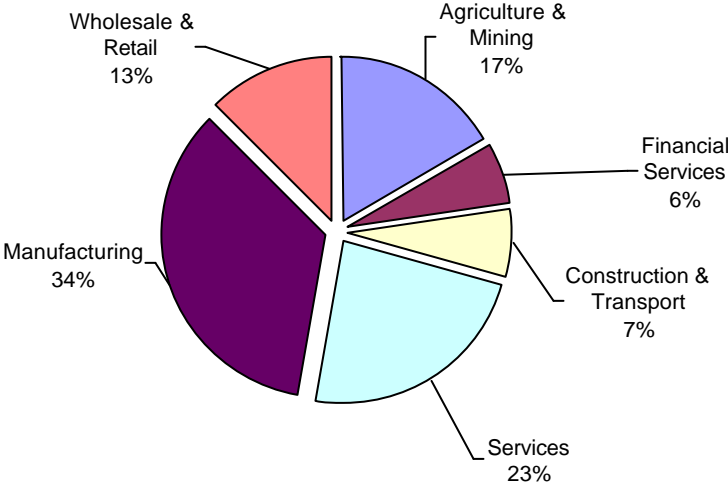
Figure 1 displays the profile of the responding companies.

'The Survey provides an indispensable guide to benchmarking your firm's perceptions of the global, Asian and Australian economies against other Australian-owned and foreign MNEs.'

Figure 1: Profile of Survey Respondents



NATIONALITY OF PARTICIPANT FIRMS



ACTIVITY OF PARTICIPANT FIRMS

GLOBAL AND ASIAN ECONOMIES

Introduction

In our first Survey of International Business Opinion for 2000, CEOs predict a boom in the growth of the global and Asian economies.

CEOs Predict a Boom in the Global Economy

Our 1999 survey showed that CEOs reversed their negative views about the global economy in the aftermath of the Asian financial crisis of 1997. Figure 2 shows that the global index increased from +4 to +52, the highest level since our first survey in 1998. Six months ago, 27% predicted stronger global economic growth in the second half of 1999; today 59% of CEOs are predicting stronger global growth over the next 6 months.

CEOs optimism in the growth of the global economy is unanimous, holding for CEOs of large and small firms; and manufacturing and non-manufacturing firms.

The Asian Economies: CEOs Predict Stronger Growth

Eighty percent (80%) of CEOs predicted stronger growth for the Asian economies in the first half of 2000 compared to 58% of CEOs in 1999. In 1999 CEOs believed that the bottom of the Asian financial crisis has been reached. Today CEOs are more bullish about Asia than at any time in the last 3 years.

All CEOs are bullish toward Asian growth irrespective of sector, firm size and nationality.

In the second half of 1999 CEOs with investment in Asia and from non-manufacturing firms led the optimistic assessment of Asia, while other CEOs were cautious about Asia's future growth. Now all CEOs predict stronger growth in Asia.

Performance of Overseas Operations in an Increasingly Competitive Environment

The bullish assessment of growth is feeding optimism over the performance of overseas operations. Sixty-eight percent (68%) of CEOs predicted stronger performance of their overseas operations in spite of 72% expecting stronger international competition.

Input and Output Prices

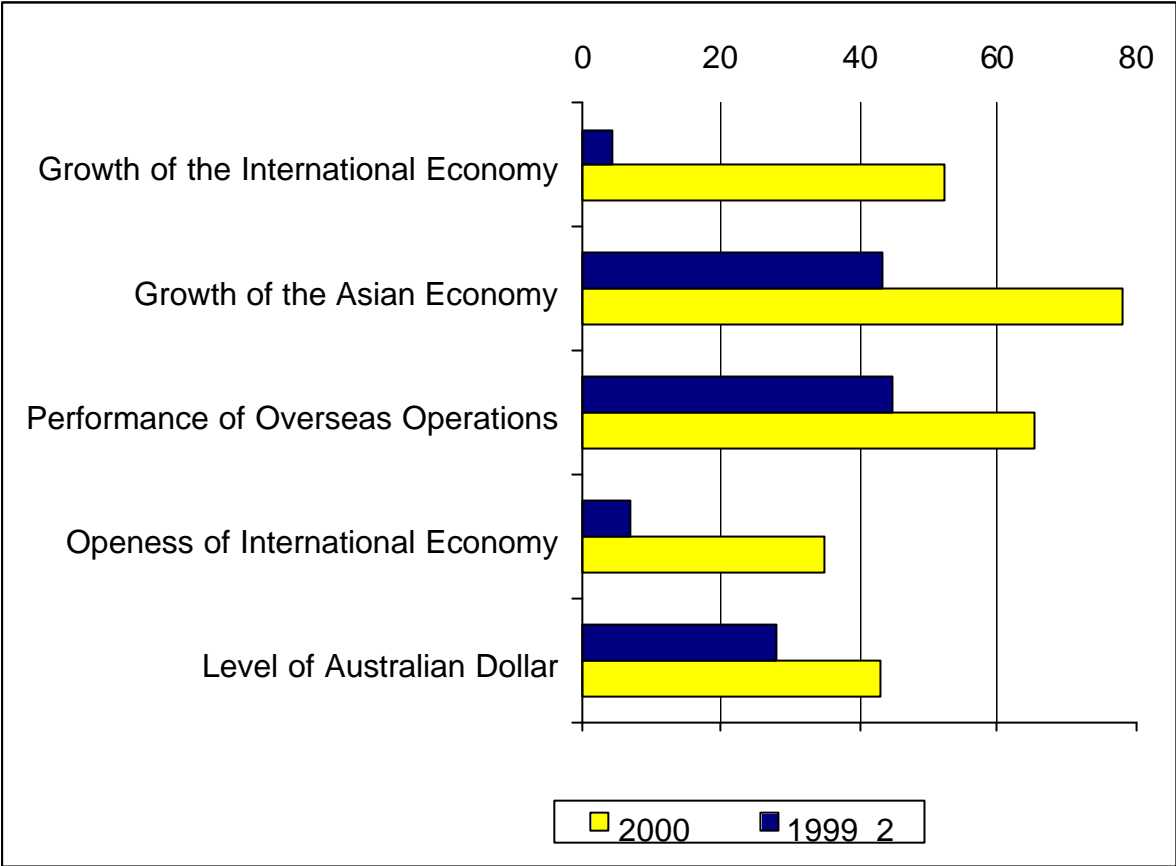
CEOs' predictions of improving overseas performance is occurring against a background of rising input prices and lagging output prices. Fifty-two percent (52%) of CEOs expect higher input prices, while only one-third predict stronger prices for their outputs.

Cautious Optimism About the Openness of the Global Economy

Thirty-nine percent (39%) of CEOs thought that the global economy would be more open, while 57% predicted openness would remain unchanged. In part, this cautious optimism reflects the uncertainties over China's accession to the WTO.

'CEOs are unanimous that the global and Asian economies are booming; 59 % forecast stronger growth in the global economy and 80% stronger growth in Asia.'

Figure 2: Forecasts For Global Economy



Stronger Australian Dollar

Over half (52%) of CEOs predicted a stronger dollar, with the index rising from 28 to 43. Few CEOs (8%) predicted a weaker dollar. A stronger dollar will make it harder for firms in

Australia to export in spite of CEOs' optimistic views of global and Asian growth over the next 6 months.

'Stronger dollar will make it harder for firms in Australia to export.'

EXPORTS

Significant Rise in Export Index

The overall export index doubled from +16 in the previous 6 months to +38 for the next 6 months (See Figure 3). Forty-four percent (44%) of CEOs predicted a significant strengthening of exports during the first half of 2000.

Building on Previous Growth During 1999

The rising export index builds on a strong rise in the index during 1999 from +5 to +16. During 1999 SE Asia, N Asia & China ceased to be depressed export markets, showing positive export growth prospects.

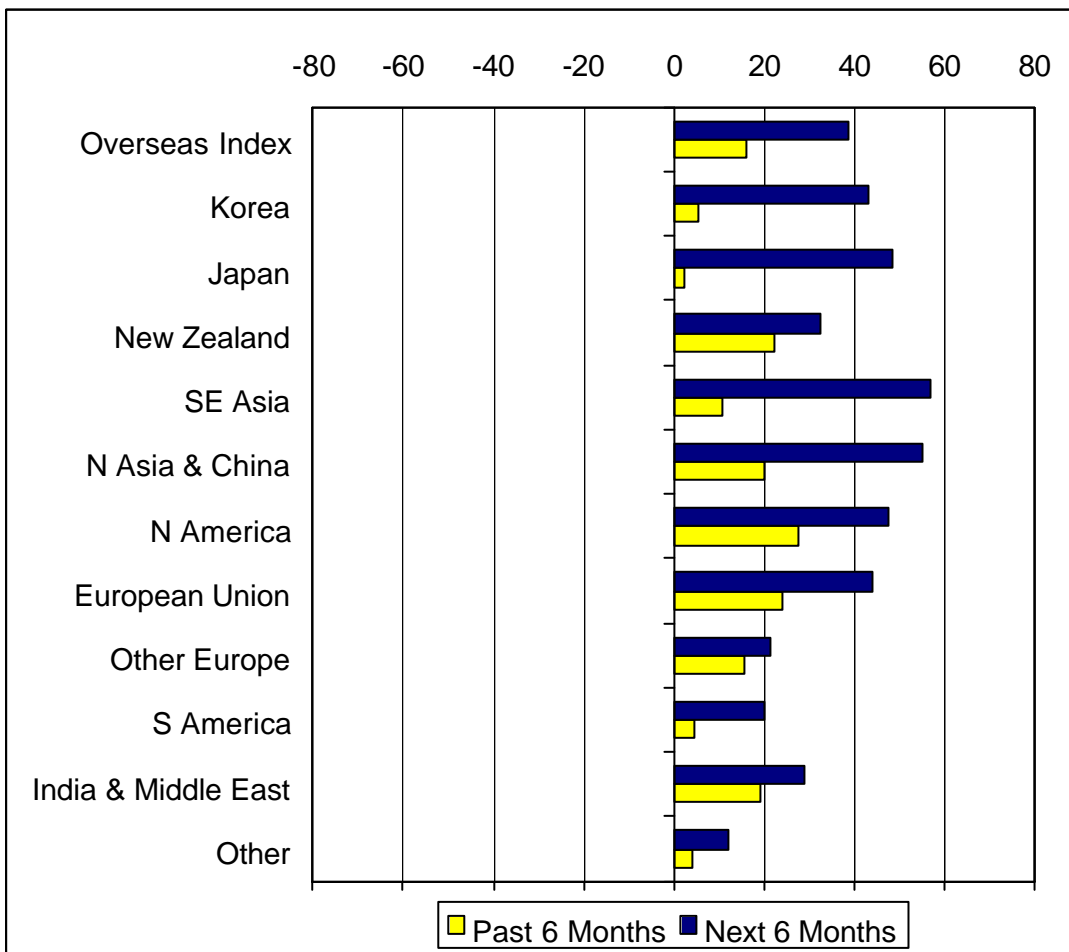
Non-Asian Markets Underpinned 1999 Export Growth

Asian export markets were outperformed by the strong export performance of North America and the European Union during 1999. These western markets underpinned the rising export index last year.

Asia Joins Non-Asian Markets in Propelling Export Growth in 2000

Figure 3 shows that the Asian markets of Japan, Korea, SE Asia and China are propelling the sharp rise in the overall export index from +16 to +38 in the first half of this year.

Figure 3: Export Index



International Business Survey

Booming Japanese and Korean Export Markets

CEOs are confident that Australia's two largest export markets, Japan and Korea, have shaken-off the recession and present major export opportunities for Australia. In Figure 3, the export index for Japan and Korea doubled, with only 3% of CEOs predicting slower growth while 50% predict stronger growth in 2000.

Recovery of SE Asia

The export markets of SE Asia have also recovered according to CEOs. The SE Asia index has increased from +30 in the second half of 1999 to a forecast +63 in the first half of 2000.

China's Export Market Potential Continues to Grow

CEOs continue to predict strong export growth potential for China, with the export index rising from 30 to 64. Only 2% of CEOs predict slower growth in China while 63% predict faster growth in the first half of 2000.

All CEOs Predict Asia as a Boom Market

The Survey revealed that the export potential of Asia was being seized by all firms in our sample, including small firms, non-manufacturing firms and firms currently not operating in Asia.

Manufacturing Firms Revise Export Opportunities

Manufacturing firms significantly upgraded their planned exports to Asia (Japan, SE Asia, China) and to North America, European Union and South America.

Non-manufacturing firms upgraded their planned exports only in Asia (Japan, Korea, SE Asia and China), but did not see a significant increase in exports to western or non-Asian emerging markets.

Small Firms and Asia

Small and large firms increased their export index from +17 to +40, with small firms pushing into Asia (Japan, SE Asia and Korea) while large firms planned to significantly increase their investments in a wider range of Asia countries (Japan, SE Asia, China and Korea) as well as the European Union.

'All CEOs predict a boom in exports to Asia, including small firms and non-manufacturing firms. Manufacturing firms saw export to western and emerging non-Asian market rising significantly in 2000.'

OVERSEAS PLANNED INVESTMENTS

Investment Surge

CEOs predicted a surge of new investment during the first half of 2000, with the investment index rising from +15 to +27. (see Figure 4) Thirty-five (35%) percent of CEOs predicted stronger overseas investment, while only 7% planned to scale back their foreign investment.

Asia Joins North America and Europe as Investment Locations

During 1999 North America and Europe were the dominant investment markets for Australian-based firms. In 2000 Asia joins North America and Europe as major investment locations.

SE Asia and North Asia Attracts New Investment

Planned investment to SE Asia doubled and planned investments in North Asia more than tripled in Figure 4. Forty-seven percent (47%) of

CEOs planned to increase their operations in SE Asia and 43% in North Asia & China in 2000.

New Firms Plan to Invest in Asia

Firms currently not in Asia plan to enter the SE and N Asian & China markets. These new players are more bullish in their investment forecasts (+30) than existing Asian operators. (+25)

Non-manufacturing Firms Lead Way Into Emerging Markets

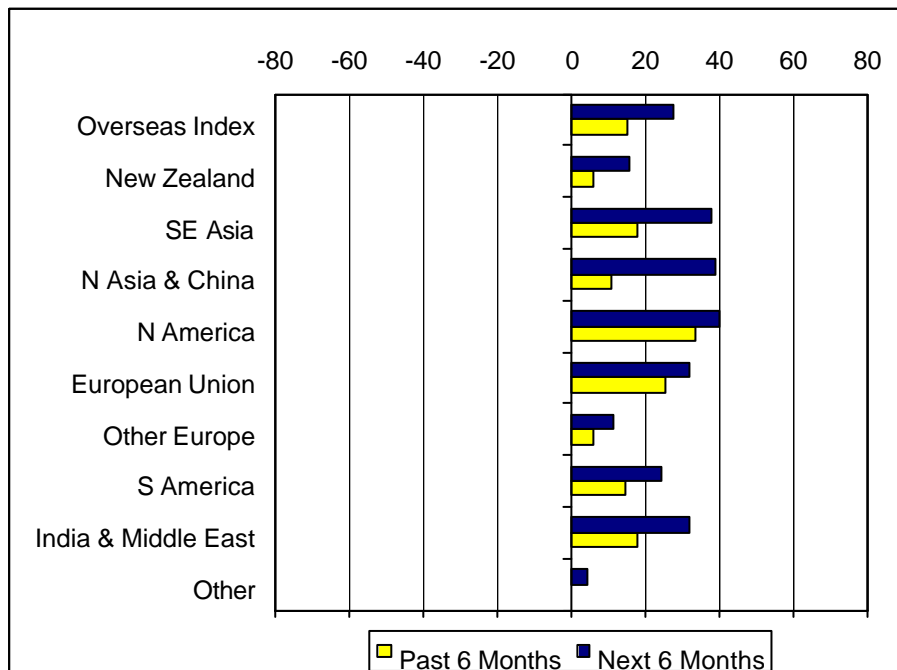
Non-manufacturing firms planned to invest in the emerging markets of Other Europe, S. America and India faster than manufacturers. Non-manufacturers also plan to investment more in SE Asia than manufacturing firms.

Compared with 1999, non-manufacturing firms also plan to significantly increase their investment in SE Asia, North Asia and India in 2000.

Different Investment Destinations for Large and Small Firms

Small firms are planning more investment in SE Asia than large firms; large firms plan to push into North Asia and India compared to small firms in the next 6 months.

Figure 4: Planned Investment Index



NEW INVESTMENT OPPORTUNITIES

In 1999 Investment Lagged Investment Opportunities

Although SE and North Asia were the most attractive regions for investment opportunities in 1999, planned investment lagged the regions' investment opportunities.

In 2000 Planned Investment Catches-up with Investment Opportunities

Figure 4 shows that CEOs are now investing in the SE and North Asian region, which they had previously identified as the markets offering the best investment opportunities.

India as Emerging Investment Region

Our 1999 Survey also identified India as an emerging market with potential investment opportunities. Figure 4 shows that CEOs are now increasing planned investment to India in order to capture India's investment opportunities.

New Surge in Investment Opportunities

CEOs revised their investment opportunity index from +10 to +26 in Figure 5. Thirty-five (35%) percent of CEOs forecast an increase in overseas investment opportunities.

Asian Investment Opportunities Continue to Increase

Figure 5 shows that investment opportunities in SE Asia surged from +13 to +50 and North Asia & China from +13 to +39. Firms not in Asia see significant investment opportunities in SE Asia and North Asia & China.

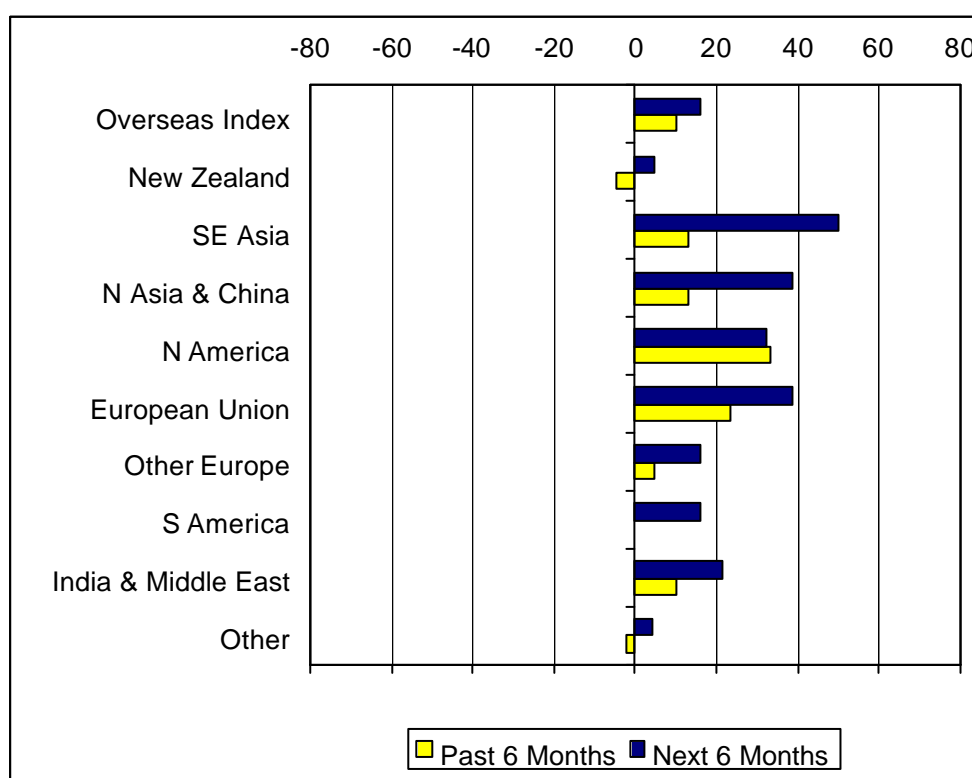
North America and European Union Retain Investment Opportunities

Figure 5 also shows that North America (+32) and the European Union (+39) remain attractive investment opportunities for Australian-based CEOs.

Differences in Sector and Size

Non-manufacturing CEOs see more investment opportunities in North Asia than manufacturing firms. CEOs of large and small firms display unanimous agreement that investment opportunities are buoyant in Asia and the West (North America and European Union).

Figure 5: Investment Opportunity Index



CEOs OF AUSTRALIAN-OWNED FIRMS AND THE GLOBAL ECONOMY

Australian CEOs Tip Stronger Global Growth

During 1999 CEOs of Australian-owned firms were cautious about global growth. In 2000, that caution has given way to a bullish view of global growth (growth index of +54), with 61% of Australian CEOs predicting stronger growth.

Australian CEOs Up-Beat About Asia but Lag Foreign Counterparts

CEOs of Australian firms were up-beat about stronger Asian growth (75%) but were more cautious than their foreign counterparts' belief in stronger Asian growth.

Optimism About Performance of Overseas Operations Tinted by Emerging Problems

CEOs of Australian firms remain optimistic about the performance of their overseas operations in 2000, with 64% predicting a stronger performance, the same as in 1999. However, 72% expect stronger international competition and 52% expect higher input prices.

Planned Investment Rises

Australian-owned firms overseas investment index is +30, significantly higher than foreign-owned firms in Australia, with an investment index of +22.

Lost Opportunities Regained?

In our 1999 Survey we noted that CEOs of Australian-owned firms failed to invest in those Asian markets where they had identified investment opportunities.

In our 2000 Survey, Australian CEOs plan to significantly increase their investments in North Asia & China, and to raise their investments in SE Asia. The Asian investment index has more than doubled from +15 to +35.

India as an Emerging Market for Australian Firms

Our 1999 Survey identified India as an emerging investment location for Australian-based firms. In 2000, Australian CEOs plan to significantly increase planned investments from +17 to +35.

Global Export Push

CEOs of Australian-owned firms significantly raised their export index from +17 in 1999 to +40 in 2000.

Asian Export Push

Australian CEOs plan to significantly increase exports to our two largest trading markets, Japan and Korea, and to significantly raise exports to SE Asia and China.

Australian-Firms Also Optimistic About Export Growth to Western Markets

Western markets underpinned Australian exports for most of 1999. CEOs of Australian firms have again revised upwards their assessment of western markets as export destinations, with 55% of CEOs predicting faster export growth to North America and the European Union in 2000.

'Australian CEOs are translating their optimism about Asian investment opportunities into planned investments.'

THE AUSTRALIAN ECONOMY

CEOs Predict Strong Growth of Australian Economy

In 1999, CEOs predicted steady growth. For the next 6 months CEOs are bullish about the growth of the Australian economy, with 45% predicting stronger growth. (see Figure 6)

Performance of Operations and Exports

CEOs are predicting a significant improvement in the performance of their Australian operations (+57 up from +38) and higher exports (+38 up from +16) during the next 6 months.

Employment To Grow

Forty percent (40%) of CEOs predict continued employment growth over the next 6 months.

Microeconomic Reform: Room for Improvement

Microeconomic reform continues to disappoint, with only 27% of CEOs predicting stronger reforms.

Planned Investments Stall

The forecast of stronger growth is not being underwritten by stronger investment, with the investment index for Australia only rising from +37 to +42 for the next 6 months. In contrast to the last 6 months of 1999, planned investment rose from +24 to +35. This implies a 'slow down' in the economy in the future.

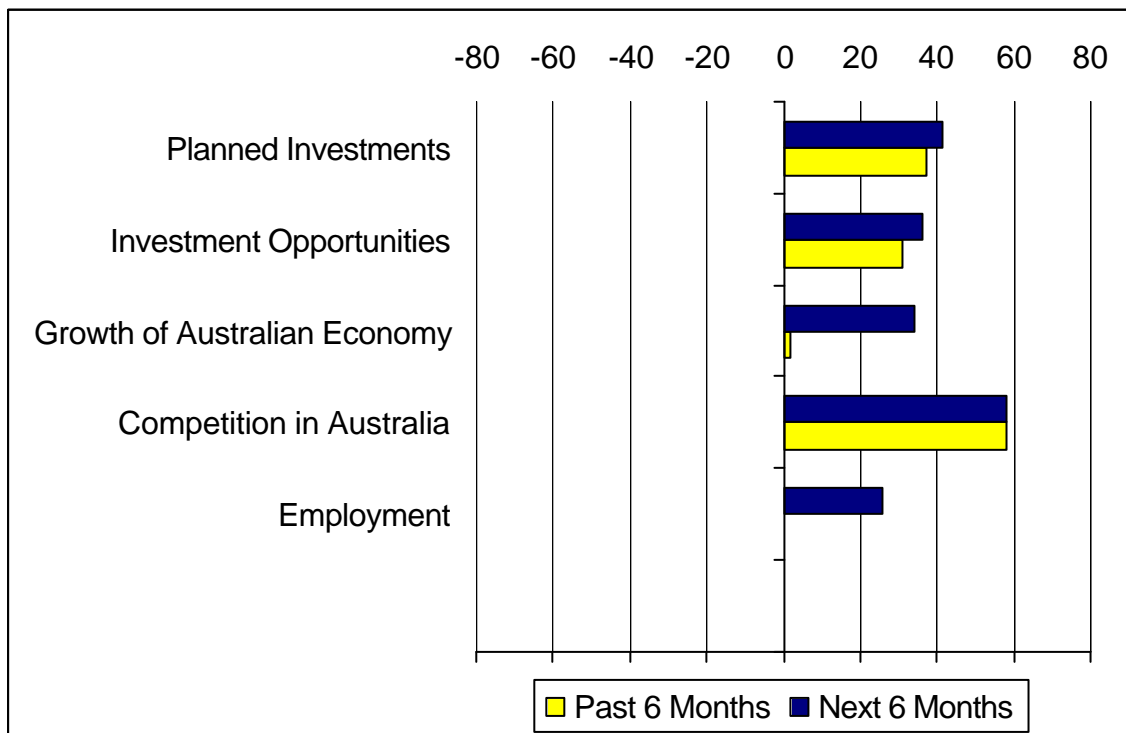
Stagnant Investment Opportunities

The new investment opportunity index is stagnant, only rising from +31 to +36 in Figure 6. In contrast, 1999 investment opportunities doubled.

Intense Competition and Strong Dollar

Competition in Australia will remain intense (at +58), and with a stronger dollar (+48), will challenge CEOs' export predictions.

Figure 6: Australian Business Trends



AUSTRALIAN CENTRE FOR INTERNATIONAL BUSINESS

The Mission of the Centre is to conduct leading edge research in international business, educate future international business leaders, and consult with business and government.

The Australian Centre for International Business is a collaborative venture between the University of Melbourne and the University of New South Wales (UNSW). Drawing on the strengths of the two Universities, the Centre creates a leading international business research group in Australia.

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DISCUSSION PAPERS & BUSINESS / CONSULTING REPORTS

Discussion Papers

- 1 *The Multinational Enterprise: New research Agendas in International Business*, Stephen Nicholas and Elizabeth Maitland, September 1998.
- 2 *Do Japanese Buyers Learn? A Longitudinal Study of Japanese MNEs' Subcontracting with Australian Suppliers*, Stephen Nicholas and William Purcell, October 1998.
- 3 *Industry Consolidation and Global Competition: Multiple Market Competition in the Tire Industry*, Kiyohiko Ito and Elizabeth Rose, October 1998.
- 4 *Foreign Investment Motivations and Location Patterns: Korean Electronics Companies and the European Union*, Sidney J. Gray and Sunghoon Hong, November 1998.
- 5 *The Transfer of Human Resource and Management Practice by Japanese Multinationals to Australia: Does Industry, Size and Experience Matter?*, William Purcell, Stephen Nicholas, David Merrett and Greg Whitwell, December 1998.
- 6 *Genealogical Transformation of Resources: A Study of Japanese Service Firms*, Elizabeth Rose and Kiyohiko Ito, January 1999.

Business Reports

- 1 *Improving Subcontractor Relations: Lessons from Japanese Manufacturing MNEs and their Australian Suppliers*, Stephen Nicholas and William Purcell, October 1998.
- 2 *Investing Overseas: Factors in the Overseas Investment Decision by Australian-Based Firms*

Consulting Reports

- 1 *Report on Australian Investment Overseas and Investment in Australia*, Stephen Nicholas, Sidney J. Gray, and William Purcell, October 1998.

Survey of International Business

1. *International Business Survey*, November 1998
2. *International Business Survey*, June 1999
3. *International Business Survey, January 2000*

International Business Survey



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