

SESSION 4 – CAPABILITIES FOR VICTORIA IN THE ASIAN CENTURY

Session Four focused on how Victoria can expand its capabilities to maximise the advantages that flow from our relationships with Asia. Victorians need to examine the areas in which we are succeeding and also look to areas for improvement. This session was geared toward highlighting some of these areas. In considering the advantages of dealing with Asia, it is important to remember that these are not only financial, stemming from the large markets that Asia presents. The advantages are also cultural. This is one of the overarching themes of the conference – the opportunities that Asians and Victorians have to learn from each other, and enhance their life experiences through understanding each other’s cultures.

Jenny McGregor, Chief Executive Officer, Asialink (Chair)

Jenny McGregor is the Chief Executive Officer of Asialink, and the founding Executive Director of the Asia Education Foundation. Her interests are in promoting Australia-Asia relationships. Jenny McGregor spoke about the opportunities that Asia presents for Victoria, and that these can sometimes happen at times and places that we are not expecting. However, she also spoke of the need for Victorians to be ready and to prepare Victorian workforces for the Asian century – otherwise there will be lost opportunities.

Wayne Burns, Executive Director, ACIL Allen Consulting

Wayne Burns is an advisor to senior executive teams and government agencies on maximising the benefits of dealing with Asia and the Middle East. He writes and speaks internationally on these issues, in particular, in Australia, China, Singapore, Malaysia, and Thailand.

Wayne Burns divided his discussion into two important areas to concentrate on when building our capabilities in the Asian century. Those areas are relationships and “Brand Australia”.

Wayne Burns suggests that Victorians’ relationships with Asians need to be developed. Victorian businesses can build their capabilities by employing Asia-literate people, such as Asian international students. International students bring their rich experiences to business. Larger companies can show leadership in this area, by employing international students.

In building relationships with Asia, Victorians need to ensure that international students have a positive experience at university in Australia. Many international students feel lonely and ignored while studying in Australia. Ensuring their

Victoria and the Asian Century, 8-9 Aug 2013 Conference Write-Up

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experience is positive helps Victorians build lasting relationships that create contacts for business. Students returning to Asia can become Victoria's greatest ambassadors.

To build business relationships and networks in the Asian region, businesses need to employ Asia-literate people on boards of management. To succeed in the Australasian region, Victoria needs to be competitive with other Asian nations, and this requires high levels of Asia literacy.

In discussing "Brand Australia", Wayne Burns stressed the importance of the Australian narrative that is presented overseas. He stated that Victorians need to be able to create a narrative for Australia that goes beyond a financial message. If Victorians do not brand Victoria, then a narrative will still be produced, but this may not be a positive one. Unfortunately, Australia has become branded overseas as a racist country. In order to 'slap down' this narrative, Australians need to create a new one. Business needs to be involved here, too.

David Chu, Managing Partner, ShineWing Hall Chadwick

ShineWing is China's biggest domestically-owned accounting firm. David Chu spoke about his long term experience as a partner in this multi-national, cross-cultural firm. He spoke about ShineWing's reasoning behind its choice to select Melbourne as the headquarters in Australia and to develop an affiliation with Hall Chadwick nationally. . The benefits of Melbourne as a location include its proximity to China and other Asian offices/ contacts, the relatively close time zone, an established multicultural community, and excellent Chinese restaurants! Victoria also has a good technology strategy, and engages in high quality manufacturing.

David Chu also spoke about the disadvantages for China in conducting business in Victoria. He asserted that there are costs and uncertainty associated with the exchange rate, carbon tax and state royalties and that Australia has a smaller market than other countries.

David Chu gave some pointers for Australian businesses wanting to engage with China. He said that Australians needed to take the time to develop trust, be flexible, and identify at an early stage whether they are dealing with government or private companies from China.

In dealing with state owned companies, business should consider government policies, China's five year plan, industrialisation and environmental policies. In dealing with privately-run companies, businesses should consider that this may not be easier than dealing with government run companies and may have to recognise the objectives at an earlier stage.

Victoria and the Asian Century, 8-9 Aug 2013 Conference Write-Up

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To overcome the difficulties, David Chu also recommended employing China-literate people, and that international students are a good pool of talent in this regard.

Kevin Li, Chairman, AustCham, South China, President of the Australia China Alumni Association South China and Managing Director, Concorde Investment Management Company Ltd.

Kevin Li, a MBA alumnus of Victoria University, also provided advices for businesses wanting to deal with Asia, in particular, China where he is currently based. He is in a good position to offer some practical advices as an executive in a number of businesses that operate across-industry-sector,

Some Points that Kevin offers to those who are planning to embark a China business venture:

1) Do your own research

After studying their target market by collecting information from various but reliable sources, it is important to come to China to conduct your own inspection in person. Markets may vary greatly even within China,.

2) Possible changes in public policies and regulations

With recent change of leadership in China, policies and regulations are soon going through a drastic period of changes. Chinese economy will transformed from a largely export oriented model to a domestic demand-focused strategy. Incentive schemes on foreign investments across the board is no long the case but in chosen sectors such as new energy, environmental technologies etc.

3) Business Model

Businesses need to re-define their strength and weakness and in many cases development of new business models are required or modified. Business models that work well in Australia may not work in China.

Victorian businesses entering the Chinese market are not just competing with Chinese competitors, but also facing many other strong multi-national players who have entered earlier.

Victoria and the Asian Century, 8-9 Aug 2013 Conference Write-Up

Submitted by: Susan Bird

4) Recognising differences

Bear in mind people in different regions within China are different and so are the markets with different in cultures, consumer patterns and etc.

5) Choosing right partners

Our past successful experiences and lessons show that Choosing business partners with local strength, complementary values and mutual trust should be something on the top of your priority.

To sum up, The Asian Century strategy should not be just about selling more products to Asian markets but about changing in people's mentality, perception, culture and business practice.

Mark Laurie, Partner and India Practice Leader, PwC Australia

PwC is a network of firms located in 158 countries with more than 180,000 people, including nearly 38,000 in Asia, delivering quality in assurance, tax and advisory services. Mark has over 30 years' experience. He has a background in both corporate and advisory roles, across a broad range of industries, sectors and geographies, including Australia, China, South East Asia, India and New Zealand.

Mark Laurie posed a number of questions that need to be addressed by Victoria in preparing for the Asian Century. These were:

- 1) What capabilities does Victoria need to in the Asian Century?
- 2) What does success look like for Victoria?
- 3) What does Asia need that Victoria can provide?
- 4) What is driving growth?
- 5) What are the mega-trends?
- 6) What can Victoria achieve?

Victoria and the Asian Century, 8-9 Aug 2013 Conference Write-Up

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In answering these questions, Mark Laurie began by noting that the PwC Melbourne Institute Asialink Index shows that Australia's engagement with Asia continues to grow. Australia's engagement with Asia has increased every year except in five of the past 20 years (and in one of these five years it was unchanged). Australia's engagement with Asia is much more than just trade. Mark noted how our engagement is underpinned by strong people-to-people links, engendered through migration, education, tourism, research and humanitarian assistance. It's clear that Asia is driving Australia's economic prosperity.

Mark defined Asia's strong growth as being driven by a young and growing population, particularly Indonesia and India. India has 500 million people under the age of 25, Indonesia has 100 million.

Mark discussed how Asia will continue to urbanise with the emergence of more and more 'super cities.' Global demand for commodities is expected to grow by up to 75% over the next 15 years as 300 million more people move from the Chinese countryside to cities. This will result in a dramatic increase in demand for education as these individuals need new skills to equip them for success, as well as put huge pressure on current infrastructure (housing, recreation and transport). Naturally, there will need to be changes in food distribution, and the type of food that is consumed.

Asia's middle class is forecast to triple to 1.7 billion by 2020. By 2030, Asia will be home to 3 billion middle class people. It will be 10 times more than North America and five times more than Europe. New products and services will be in demand in Asia.

Mark identified the mega-trends in Asia's growth:

- 1) The ever increasing need for globalisation;
- 2) The commoditisation of products and services;
- 3) Ongoing regulatory and legislative changes; and
- 4) Seeking the elusive comparative advantage.

Mark went on to outline these trends. Globalisation is the first trend. If Victoria wants to be a player in the global environment, Victorians need an understanding of the social and cultural backgrounds and to possess a variety of cross cultural skills. Increased commoditisation is the second big trend. If we have the tyranny of distance in Australia, Asia has the tyranny of numbers. We must learn how this scale affects production, distance and price. Products are cheaper in Asia, making it hard for us to compete in manufacturing. The third trend is changing regulation. Due to the

Victoria and the Asian Century, 8-9 Aug 2013 Conference Write-Up

Submitted by: Susan Bird



financial failures of the GFC, there has been increased regulation of financial services in Australia. Asia is decreasing its regulation to attract diverse investment. The fourth trend that Mark noted was comparative advantage which focused on the need to identify what Victoria's strengths are and the need to match them to Asia's requirements. The areas he identified were food, education, tourism, health and niche manufacturing/services.

Mark went on to discuss the strengths.

Food is an area of great potential. There has been a sixfold increase in the middle-class in Asia. As incomes increase, diets change – consumption of meat and dairy increase. There is more demand for processed foods, and given our key industries are dairy, beef, sheep, grains and horticulture, the different countries across Asia present different opportunities across Asia.

Education is another area in which we are succeeding, and can grow. India has a large and young population. There is an increasing demand for a trained workforce there and across most other parts of Asia. There is a demand for quality content, context and style. Recently, there has been a modest decrease in Victoria's education engagement with India. With the development of online education, there is potential for Victoria to recapture these markets.

Victoria is succeeding in tourism, and trends in this area are good. There have been 265,000 visitors from China to Victoria this year. Interestingly, they are only here for a short time. Success in tourism is more than marketing, it involves product development.

Health is an area for potential expansion. With Victoria's cost structure, we are not going to have medical tourism here. Currently, there is no medical tourism in Victoria. But we have the training and expertise to train others and potentially create this market. Although Asian countries are characterised by youth today, Asian countries will have a greater need for medical treatment as they age.

Niche manufacturing and services are other areas for potential expansion. Victoria may not be able to compete in making cheap products, but we are good at manufacturing quality, niche products. There will be a greater demand for these products as Asia becomes more urbanised. These products are scientific, research and development, and services. Victoria needs market intelligence to capitalise on these potentials.

Mark stated that in order to succeed in the long run, Victorians "need to plant acorns today for the shade of tomorrow" These "acorns" are planted through involvement in joint ventures, and true collaborations in business, academia and government.

Victoria and the Asian Century, 8-9 Aug 2013 Conference Write-Up

Submitted by: Susan Bird



Questions from the floor:

1) Dr Helen Hill, Honorary fellow, College of Arts, Victoria University; Centre for Cultural Diversity and Wellbeing

In the early 1990s when I first came to Victoria University, I was involved in setting up a course. It was a Bachelor of Arts in Asian and Pacific Community Development. The course included the history, politics and sociology of Asian and Pacific countries. Many third year students did field work overseas. Top priorities for students were, for example, working on the Thai/Burma border, the Philippines, Papua New Guinea, Fiji and some of the smaller countries.

What does Asialink mean by "Asia"? What countries are involved with it? I have a slight worry with the agenda of the Asian Century - what does it mean for our relationships with our even closer neighbours such as PNG, and Nauru (whose environment we are destroying to build up our own agriculture)? Those countries are now developing a hostility towards Australia, particularly where Australia attempts to stop them dealing with bigger Asian countries, such as China. What has Asialink done to address this issue? Exactly which countries do you include when talking about "Asia"?

Answer:

Jenny McGregor: Jenny McGregor states that, Asialink already has a huge task within what is traditionally referred to as Asia and with the countries identified as priority countries and regions by the Australian and Victorian Governments – China, India, Japan, Korea, Indonesia and Southeast Asia. Jenny states that she is aware of the issues being discussed. AusAid has a major role with the Pacific and Nauru and PNG, but Asialink does not have the capacity to focus on the Pacific. Going forward, Asialink hopes there will be an increasing AusAid commitment, and that there will be more opportunities for AusAid to work in Nauru and PNG.

Kevin Li: Asialink has areas of priority, but hopefully some benefits will flow from Asialink's work to areas like Nauru and PNG. An example of the flow of benefits between countries through such initiatives is when a Fijian man in NSW set up a council in South China and received funding to bring visitors to Fiji.

Victoria and the Asian Century, 8-9 Aug 2013 Conference Write-Up

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2) Ken Baxter, Chairman of TFG International Pty Ltd, former head of the Victorian Department of Premier and Cabinet

Ken Baxter asked Wayne Burns: What should public servants do in the Asian Century to help Victorian engagement?

There are already 33,000 public servants.

Answer:

Wayne Burns answered that State departments and agencies need advice on pathways to engage with the Pacific and Asia. Victorians do not need to reinvent the wheel in Australia. Victorians can look to the example of China's expansion into Africa. The Chinese government is doing very interesting things to help Chinese industry get a foothold there. He said that ACIL Allen Consulting has already been working with government departments on this. He said that government departments need to look at what other nations are doing on pathways to engage with specific Asian industry sectors. Asialink has helped the Commonwealth government 'nail its colours to the mast' — it is now up to state governments to develop a strong industry sector.