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Engagement with Asia: time to be smarter

You can't do Asia with a Western head, Western thinking. Australian businesses miss opportunities because of a mindset that 'Aussies know best'. Aussies need to change the way they think about their business.

Chinese executive,
quoted in SAF11 *Australia's Diaspora Advantage*

Golden thread

Australia must celebrate its relationships in the Asia-Pacific region. We need to engage better and cement Australia's prominent place in the region. Finding these new opportunities must embrace the invaluable resources of Asian and Pacific communities by improving Australia's language ability, increasing cultural awareness, building on current export strengths and extending networks and linkages.

Key findings

This objective distils the interdisciplinary research and evidence from the 11 reports published as part of ACOLA's Securing Australia's Future project. To meet this objective, the following six key findings for improving Australia's smart engagement with Asia and the Pacific need to be addressed:

1. Incentives are required to improve Australia's linguistic and intercultural competence at school, university, and in the workplace.
2. We need to increase Australia's 'soft power' through cultural diplomacy that updates perceptions of Australia in the Asia-Pacific region, and brings into the 21st century the way Australians see our place in the world.

3. Multinational research initiatives should be encouraged to promote collaboration between countries in Asia and the Pacific to address regional issues, as well as increase research diplomacy opportunities that add to Australia's soft power.
4. Australia needs to make the most of our regional proximity to the growing markets of Asia, building on current export strengths such as agriculture, exploiting niches created by our competitive advantage, and identifying new strengths, ensuring a strategic approach by government and industry through ongoing investment and clear policy directions.
5. Century-old corporate behaviour of turning to historical markets for trade needs to evolve to meet the needs of a 21st century economy located in the Asia-Pacific region. Australian business attitudes and preconceptions need to change to gain a better understanding and appreciation of how to do business with Asian cultures.
6. Governments, institutions and industry need to better support the activities of Asian and Pacific diasporas and better employ the invaluable resources (including language skills, cultural knowledge and global networks) presented by Asian and Pacific communities living in Australia. This includes the improvement of representation of people with Asian and Pacific backgrounds on industry councils and business associations and in trade discussions and delegations, to reduce the mismatch in particular between the large size of Asian diasporas in Australia and the small number of their representation on relevant boards and professional bodies.

If these key findings are implemented, then Australia will go a long way towards securing the country's future.

Introduction

Asian Australians ... should be involved routinely as informal ambassadors for Australian science, research, innovation, entrepreneurship, arts and voluntary association. They are already involved in a small way but if Australia were to scale up our Asian-Australian engagements with the region then all Australians would stand to benefit.

– John Fitzgerald, ACOA SAF03 Expert Working Group

Australia needs to be smarter in our engagement with the countries of Asia and the Pacific to benefit from the global power shift towards Asia, in order to secure our future in the region.

This chapter looks into what smart engagement means across business and the general population, for individuals and for the country as a whole.

Chapter 2 begins with an analysis of our place in the region, from the historical contact of colonial heritage to how we – and those in neighbouring countries – see Australia in the

21st century. It summarises population trends and increases in trade, and identifies the growth in the region that is leading to the rise of Asia as an economic powerhouse.

The chapter proceeds with details about sectors where Australia has – or can build – competitive advantages due to our location in the Asia-Pacific region, our plentiful resources, our clean environment, and other positive national attributes. These opportunities are described along with the risks in a rapidly evolving world.

We then discuss the importance of language for communication and business activities in the region, and highlight the linguistic barriers that exist in Australia. The chapter goes on to discuss the importance of cultural understanding, and the roles cultural activities and institutions contribute to cultural diplomacy and the improvement in Australia's soft power.

These subjects set the scene for a discussion about Australian businesses in Asia – or the lack thereof. We discuss the cultural barriers that dissuade businesses from engaging with Asia, and summarise strategies for overcoming these – including the strategic use and encouragement of the invaluable resource presented by Asian and Pacific communities living in Australia.

This chapter follows Chapter 1's exploration of how to build and secure Australia's future through advantages compared to our international competitors in a globalised world. It focuses the themes discussed in Chapter 1, to highlight our role within the Asia-Pacific region: particularly the Asian region that has a rapidly growing influence on the international stage.

Smart engagement: identifying the opportunities

There is little doubt that the rise of Asia will be a defining characteristic of the 21st century.

– Australian Council of Learned Academies, SAF03 *Smart Engagement with Asia: Leveraging Language, Research and Culture*

Australia in the 21st century has begun to find its place in Asia. Building on earlier efforts, Australians are now realising the benefits of looking to our near neighbours for professional, cultural and other interactions as part of broader global engagement. There are obvious economic benefits in doing so.

However, to date, engagement with countries in our region has too often been piecemeal, opportunistic and short-lived rather than strategic and focused on the longer term. To successfully secure Australia's future, we need to be smarter.

Smart engagement with Asia and the Pacific involves building relationships for the long haul. It means scaling up current activities and nurturing wide-ranging, long-term, mutually beneficial relations between Australia and the diverse countries of the region. It values cooperation, reciprocity and trust in international relations.

Smart engagement promotes active interactions between Australians and Asians through business associations, community groups, research links and other networks. These interactions can build on the resources and connections already represented by Asian and Pacific communities in Australia, as well as Australian communities in Asian and Pacific countries. Importantly for policy considerations, we need to recognise that

building sustained relationships requires long-term investment and commitment – it cannot be a quick fix.

If Australia does not step up its connectivity with countries in our region, it will be left behind as global power shifts towards Asia. (Note that our use of the term 'Asia' is in keeping with its use in the ACOLA Securing Australia's Future reports, and indeed how it is popularly used in Australia; that is, covering the countries of East Asia, South-east Asia and South Asia.) Connections need to be strengthened between people, between institutions, and between countries. We need to build stronger transnational links across the region to allow Australia and Australians to become more integrated within the Asia-Pacific region, which is increasingly characterised by overlaying networks of cross-border connections and relationships.

If Australia does get it right, smart engagement with Asia and the Pacific will enable integration with the region and provide new insight into the complexities of our regional relationships; it will also deliver a blueprint for the bridges that Australia can build to access long-term social, economic and political benefits.

Mutual misunderstandings

Other than New Zealand, Australia is the only country in the region with a predominantly European heritage. Australia's relationships with the countries of Asia and the Pacific often continue to reflect this heritage.

Using the analogy of warmth as measured by a thermometer, a 2015 poll by the Lowy Institute found feelings towards Asian countries varied from cold for North Korea (29°), through average for Indonesia (46°), India (56°) and China (58°), to slightly warmer for Japan (68°). This relative coldness felt for our neighbours compares unfavourably with the warmth felt for New Zealand (83°), the United Kingdom (79°) and the United States (73°).

Emotional distance is linked to common misunderstandings. For example, while Indonesia is Australia's closest neighbour, a 2013 survey for the Australian Department of Foreign Affairs and Trade found 30 per cent of Australians do not know that Bali is part of Indonesia. Surprisingly, fewer than half of the respondents knew Indonesia is a democracy. When asked to name the first three things that come to mind when thinking about Indonesia, about one-third of the survey respondents said 'holiday destination', while other common responses included 'boat people', 'bombs and terrorism' and 'drugs and drugs trafficking'.

The ignorance and feeling of distance is mutual – most people in Asian countries lack detailed knowledge of a 21st century Australia, and have impressions based on outdated stereotypes. For example, in a 2011 poll only 14 per cent of Indonesians knew that Australia was Indonesia's largest aid partner, and more than half agreed with the statement that Australia is 'a country suspicious of Indonesia'. Impressions of Australia in China can be similarly sketchy, with a focus on koalas and kangaroos. Many people in the region perceive Australia as racist, with pervasive impressions based on the White Australia Policy, which has not been official policy since the early 1970s. For example, 38 per cent of the population in India still believe that race is an important factor in Australian immigration intake.

The Pacific region, too, suffers from Australian misconceptions. It is too often perceived in Australia as a stereotypical place to holiday in the sun. This overlooks its importance in strategic terms, and the vulnerability of some Pacific nations to the impact of climate change and sea-level rise.

To overcome these misconceptions, Australia needs to evolve further to meet the needs of a 21st century economy ensconced in the Asia-Pacific region.

Australia's relationship with the Asian region has been a policy priority for the Australian government since at least the 1990s. While there have been some wins, more needs to be done. We need a strategic focus on the longer term.

Already there has been a rapid transformation of Australia's population. In 1947, more than 90 per cent of the Australian population was born in Australia, but this proportion had dropped to 72 per cent by 2014. A significant share of the 6.6 million people born overseas is represented by people born in Asia and other non-English-speaking regions.

Over the past 15 years there have been positive shifts in public perceptions of Asia and Asians in Australia. This may be a reflection not only of the changing make-up of our population, but also of the evolution observed in trade. Until the mid-20th century, the United Kingdom was the destination for most of Australia's exports, and the main source of our imports. Since the 1950s, Asian demand for Australian primary exports has steadily grown due to the increasing industrialisation of countries in the region. East Asia's dominance as a destination for Australian exports continues to grow, taking more than 80 per cent of Australia's mineral exports, more than two-thirds of all merchandise exports, and more than 40 per cent of food exports.

The Asian century

The rise of Asia is cited as the biggest economic trend – and indeed the defining characteristic – of the 21st century. We are indeed in the Asian century. In the era of globalisation, the next few decades will see a shift in wealth and significance towards Asia. China and India stand out as emerging super-economies. This shift will have huge economic, political, social and cultural implications for Australia. Engaging with Asia is, more than ever, a national necessity.

Over the past 60 years, Asia's share of world output has doubled. This is particularly accentuated in China and India, which have tripled their share of world gross domestic product (GDP) in the past 20 years, and their economies have grown by a factor of six. China is now Australia's largest trading partner, accounting for almost a quarter of Australia's total exports and imports in 2013. Japan, Singapore and Hong Kong are also major investors in Australia. But still it was non-Asian countries – the United States, followed by the United Kingdom – that invested the most in Australia.

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There has been a rise of Asian middle classes and increasing affluence in Asia. Asia's middle class is estimated to increase from 28 per cent of the global total in 2009 to around 66 per cent by 2030. This presents great opportunities and challenges for growth of the Australian economy. In addition to resources-related business, Asia could contribute an additional \$275 billion to the Australian economy over the next 10 years. An assessment of industry and public service perspectives saw growth of an increasingly affluent middle class across Asia as a global trend that could have a positive impact on Australia's competitive advantage compared to other countries over the next 25 years. Industry representatives and public servants rated the changes in Asia, with the rising economic role of emerging economies and its resultant rising Asian middle class, as positive for Australia (see Table 2.1). Such results are corroborated by the 2015 ACOLA report SAF01 *Australia's*

Table 2.1. Global trends which could have a positive impact on Australia's comparative advantage over the next 25 years according to industry and public servants. (Areas of agreement in bold)

Industry	Public servants
Growth of an increasingly affluent middle class across Asia	New technologies in energy, materials and digital areas
Rising economic role of emerging economies	New biological technologies
Diffusion and harmonisation of technology across trading partners	Growth of an increasingly affluent middle class across Asia
Increased emphasis on environmental sustainability	Increased emphasis on environmental sustainability
Demand for a new energy mix to reduce fossil fuel use	Rising economic role of emerging economies

Comparative Advantage, which notes the rise of Asia, particularly China, India, and Indonesia, as one of the main global trends expected to significantly affect Australia over the next 30 to 40 years.

Demand for Australian primary exports has steadily grown in Asia due to increasing industrialisation and growth in manufacturing in Asian countries. Korea and Japan, in particular, are densely populated and relatively poor in natural resources. China and India, which are better off for natural resources, need to import primary commodities to fuel their growing economies. Such rapid industrialisation makes Asian countries highly complementary to countries such as Australia, with our relatively sparse population, large areas of agricultural land, and plentiful mineral and energy resources. The scarcity of land for agricultural production in the growth markets in Asia provides us with a significant opportunity; over the next four decades this could result in more than \$700 billion of additional revenues for Australia from agricultural exports.

Furthermore, our proximity to Asian countries provides a strong advantage in the trade of bulky primary products that are expensive to transport. Australia will also have increasing opportunities to respond to the growth in demand for high-value products in Asia. These advantages open up opportunities for business and research. However, what we make of them will be determined by Australia's strategy and commitment to our future in the region.

What we make of advantages due to our proximity to Asia will be determined by Australia's strategy and commitment to our future in the region.

Tapping into the market while avoiding the risks

From a period when the then Singapore Prime Minister Lee Kuan Yew bluntly warned Australians that they were on the road to becoming the 'poor white trash' of Asia, the situation has changed and liberal economic reform is seen as playing a significant role in avoiding at least this outcome to this time.

– ACOLA, SAF01 *Australia's Comparative Advantage*

Australia already exploits its plentiful resources in mining, our competitive advantage in agriculture, our attractiveness as a tourist destination, and our reputation for provision of education. There are opportunities to increase these, as well as build on our research collaboration, and increase exportation of banking and finance services, and other industries. The value and potential of Asian markets in all these areas are well recognised. However, making the most of our regional proximity to the growing markets of Asia requires ongoing investment, strategic policy directions, and an awareness of the risks to individual industries.

Unique food and agriculture

Agriculture has stopped being seen as a sunset sector in Australia and is more recognised as having a renaissance. The highly productive agribusiness sector, which consists of 25 per cent of Australian farms (not to be confused with lifestyle and other farms that make up the rest) are innovative and adaptive. Agriculture also contributes more than 10 per cent of GDP through its support of value-adding, regional manufacturing, transport, services and other aspects associated with agriculture.

The emergence of new markets has led to a revival of optimism, and buoyant agricultural markets have allowed rural producers to remain optimistic despite two periods of extended drought in the past 30 years.

Demand for Australian agricultural products is expected to further increase in line with both Australian population growth and increasing global population. By 2050, global agriculture will need to feed a world population of nine billion people.

Research by the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) shows the potential for large increases in imports of beef, lamb, dairy products, sugar and wheat into Asia by the middle of this century. By 2050, the value of global agrifood demand is projected to increase on 2007 levels by 77 per cent.



Demand is growing in Asia for clean, green Australian products, such as baby formula.
(Source: ValeStock/Shutterstock.com)

The types of products being demanded are likely to change with increased affluence and the growth of the Asian middle class. Changing dietary preferences, particularly in China, India and Indonesia, could result in export opportunities worth many hundreds of billions of dollars over the next few decades. An example of changing cultural preferences and eating habits is the increasing demand for more organic foods that are grown in cleaner, less polluted places. There is also an increasing emphasis on the more humane treatment of animals. Foods with these qualities command higher prices on global markets, particularly in Asia.

Australia's clean and green image provides potential to address the demands of a growing Asian middle class. But with these opportunities come risks, as described below, and government policy in these areas will need to be strengthened to ensure the country's competitive advantage is not lost to other countries or products, or our brand damaged due to failed regulation or declining environmental health (see Chapter 5).

Australia's clean and green image provides potential to address the demands of a growing Asian middle class, but with these opportunities come risks.

Plentiful mining resources

Thanks to huge demand from China, mining investment in Australia increased more than fivefold in just a decade – from 1.5 per cent of GDP in 2002 to 7.7 per cent in 2012. However, it peaked by the end of 2013, and there are predictions that it will fall below 4 per cent of GDP by 2023.

ACOLA's *Australia's Competitive Advantage* report panel commissioned a comprehensive review by PricewaterhouseCoopers (PwC) to determine the performance of Australia's mining sector. According to the report, Australian mining is predominantly focused on extracting and exporting (see Chapter 1). The same can be said for agriculture, above, with its focus on commodity exports.

The PwC report notes that, for the past decade, the resources boom has been driven by the combination of Australia's natural advantages compared to other countries and high growth in Asia, particularly China. Mining will remain a major contributor to the Australian economy due to factors such as the large and growing market in Asia. Australia will continue to win a large share of the international growth in demand for minerals for reasons including our proximity to the major buyers in Asia, our large and high-quality deposits and our world-class mining technology.

Australia's liquid natural gas (LNG) exports accounted for 8 per cent of global LNG exports in 2011. The largest importers in the region are Japan, Korea, China, Taiwan and India. Imports into all of these countries are expected to continue to rise, due to increasing domestic consumption outpacing local production. Australia's geographical advantage in supplying these markets is likely to lead to its share of global LNG exports increasing significantly over the next two decades.

An expanding education industry

International education and training is one of Australia's major exports, and international students are the source of substantial income through fees and other education-related services.

In 2013 there were 410 925 international students studying in Australia, and the industry contributed \$18.2 billion to the economy. Higher education generated the most

income with \$12.5 billion, vocational education and training was next with \$2.9 billion, followed by English language courses with \$1 billion; schools contributed \$691 million and non-award education programs \$722 million. A large proportion of education income comes from Asia: China contributes 29 per cent, India 8.8 per cent, South Korea 4.9 per cent, and Vietnam, Malaysia, Thailand, Indonesia and Nepal are also in the top 10 most represented countries in terms of the number of students.

Hence, the provision of education to Asian students is already one of Australia's largest industries. Expanding opportunities for attracting new international students will allow Australia to capitalise on the growing market in Asia. As technology improves and is taken up by Australia's major trading partners, off-campus study will be a major opportunity for education exports.

The Australian Vocational Education and Training sector is highly regarded internationally, and represents a genuine strength for Australia. Further investment in, and development of, this sector could provide many benefits for Australia, since many Asian economies, such as India, are making significant investments to develop their vocational skills sectors, and are looking for international partners to help achieve this.

There is a significant economic flow on, with residential property, local consumerism and tourism. However, we are still to fully realise the advantage of international students. They cultivate international talent for Australian industries, and forge more extensive links into Asia.

Research export and collaboration

There is an opportunity for Australia to expand its strategic engagement with Asia through research partnerships. This would improve our research and development capability, enforce our position as a leader in education, and provide an increase in export potential of Australian-generated knowledge. It would also provide another avenue for building relationships, through research diplomacy and collaboration.

In many countries in Asia, innovation and research translation are seen as crucial contributors to economic development. The ambition of our Asian neighbours is reflected in their strategies to grow their economies through innovation. Science and research are central to their national plans. Asia is the most dynamic region for research investment and output: the Asia-Pacific region had the most rapid rise in share of global publications in the past 15 years. China is now the third largest producer of research articles, on course to overtake the top-ranked United States before the end of the decade.

One example of potential research export is for provision of pollution research services to Asia. 'Megacities', usually defined as cities with more than 10 million people, are a growing feature of Asia. In 1950, only New York would have qualified as a megacity. There are now 33 megacities worldwide, with most in Asia, North America and Europe. Within the next decade, it is expected that Asia alone will have another five megacities. These cities will require advice on the management of pollution and understanding of its impacts on health.

Cities are also vulnerable to climate change, particularly those close to the coast such as on the mega-deltas of East Asia. Australia plays an international role in climate change research and environmental science management. We too are influenced by extremes in climate, from droughts to floods, and have a sound research and development base that provides knowledge and advice to improve the resilience of our climate-exposed industries. Hence there is potential to further increase the export of climate change research to



Research partnerships are one way to expand strategic engagement with Asia. (Source: CSIRO)

provide advice to Asian cities and nations, as well as to Pacific nations facing threats from extreme weather events and sea-level rise.

Research collaborations between countries in the Asian region have increased strongly in the past decade. This is true across areas of humanities, arts, social sciences, science, technology, engineering and mathematics. However, while collaboration between Asian researchers has risen steeply, the extent of Australian researchers' collaborations with colleagues in Asia and the Pacific is less than collaboration levels with Western countries (the exception is collaboration with China, which has risen exponentially due to the efforts of researchers of Chinese descent working in Australian research institutions). There has been a lack of government initiatives in this field, and the strategic significance of international research collaboration receives little attention in Australian foreign policy. In addition to diplomacy and furthering research, such collaboration could provide a base on which to increase research and knowledge exports.

The strategic significance of international research collaboration receives little attention in Australian foreign policy.

Regional funding to countries in the Asia-Pacific region, reflecting the similar approaches of European Union funding for member countries in the northern hemisphere, could focus interdisciplinary research effort on the international challenges faced in the region. Funding that promotes multinational collaboration across Asian countries to address regional issues, such as adapting to climate change or addressing refugees and migration across the region, would provide incentives to enhance research collaboration with collateral benefits to research diplomacy.

Tourism target and business bases

Tourism is one of Australia's leading export industries, contributing \$91 billion to the country's GDP and providing almost one million jobs. The Australian tourism sector is the eighth largest in the world. In terms of competitiveness, Australia ranks 11th in the world (of 140 countries) and second in the Asian region.

The Asia-Pacific region provides 64 per cent of the almost 6.8 million international visitors to Australia. The number of visitors from China reached one million in 2015 for the first time, and the number of tourists from India increased 20 per cent in the same year. Tourism Australia's policy is to double visitor expenditure from \$70 billion to \$140 billion by 2020, with growing visitor demand from Asia – particularly China and India – a major objective.

These tourism figures would surely grow if Australians increased their cultural awareness of Asian countries and proficiency in the languages of the dominant tourist groups. While language and cultural awareness training have been increasingly included in training for the tourism industry since 2000, particularly in Queensland, improvements are still required. For example, a survey of more than 3600 Chinese tourists showed that only about half were satisfied with the availability of Chinese language services in Australia, and more than a third cited language barriers as a reason for not recommending Australia as a tourist destination.

As well as tourism, involving temporary visitors, Australia also provides an attractive location for more permanent business bases. Asia is fast becoming a focus for international commerce and competition. Australia is an attractive place to live, and could attract talented people and businesses looking for a base from which to expand into the growing Asian



Asian tourists on the Gold Coast. (Source: Chris Betcher, CC BY-SA 2.0)

economies. Australia's proximity to Asia and its similar time zones place us in an advantageous position to access Asian markets and customers, compared to competitors further afield such as Europe or the United States. Australia's growing trade integration with Asia further reinforces our advantageous position as a trading partner to the growing region. Such competitive advantages to attracting new and growing business should be promoted.

Other industries

Australia is traditionally strong in the above-mentioned sectors of agriculture, mining, education and tourism, attracting large proportions of our export dollars from these industries. Are there other industries that can be grown by targeting countries in our region, and yet others that have not been given any thought as yet?

For example, opportunities exist for Australia to export banking services to Asian countries. We could also increase the amount of financial management and funds management services provided in Asia. There also exists an opportunity to develop skills in Islamic finance and export Islamic finance services, according to ACIL Allen.

The amount of scientific and technical information is increasing at unprecedented and exponential rates. Many of the types of jobs that today's primary school students will have when they graduate may not even exist at the moment. So a successful Australia will need to be nimble and flexible in identifying business opportunities and growth industries in the Asia-Pacific region.

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Risky business

While many opportunities exist for Australia to help secure its future through increased business in Asia, these do not come without risk.

Australian agriculture will face strong competition in attempting to exploit opportunities offered from a growing Asian population with increasing affluence. There are several ways this competition will be manifested. First, there may be competition for land from other sectors, particularly as opportunities in areas such as mining increase due to the demand from Asia for Australian minerals and energy raw materials. Second, the projected increasing demand for food will affect Australia's trading competitors and hence increase competition from other countries. Furthermore, demand for locally produced, high-quality food products from Australia's domestic market will compete with international demand. Awareness and understanding of competing factors will be required to manage such competition. Australia will need information systems to enable analysis of gaps and niches, as well as government regulations and policies that provide market access. There are also external factors such as climate change and extreme weather that provide further risks that are beyond our control.

If Australia expects to maximise its competitive advantage in agriculture, as well as other sectors such as tourism, due to its image of pristine environments, we need to ensure we can maintain this image. Our clean and green reputation can help to increase markets in Asia for tourism, high-value niche products, and bulk raw commodities. But to sustain these advantages in the face of competition from other exporters requires ongoing investment not only in research and development, but also in credible compliance indicators to maintain the environment on which Australia's clean and green image is built (see Chapter 5).

The Australian education sector is also subject to regional competition. Enhancing the scientific outputs of research universities, by building ‘world-class universities’ more highly placed in world rankings of research outputs, is an objective of all higher education and research systems in East and South-east Asia. World-class university programs aim to increase the number of PhD-level researchers and to use leading international universities as the benchmark for local research.

The future prospects of mining are highly dependent on factors beyond Australia’s direct control – namely, export prices and growth prospects in Asia and other large trading partners. Our large dependence on a single industry, and the threats to that industry from external factors, are major strategic weaknesses that Australia will need to contend with, especially demand development in China.

Australia’s beef industry is expected to enjoy major new export opportunities into Asia. This sector comprises diverse operations and different markets across the country, including live animal export, high-quality premium chilled beef, and ground beef for hamburger meat. However, logistics and adequate transport infrastructure remain significant barriers to industry growth.

In relation to opportunities in providing finance services, the sector has a primarily inward focus and poor exposure to trade. The common law jurisdiction creates impediments for many potential foreign investors, particularly those in the Asia-Pacific region.

This variety of risks will need to be managed as part of our efforts to increase opportunities in the Asian region. Management options will vary from basic awareness of risks that are beyond our control, through to regulatory and policy instruments implemented in partnership with our Asian neighbours and hence requiring diplomacy and a team approach.

Teaming with our neighbours

While not knowing English is a disadvantage, knowing only English is a disadvantage too.

– Kent Anderson and Joseph Lo Bianco, quoted in SAF03 *Smart Engagement with Asia: Leveraging Language, Research and Culture*

For Australia to secure our future by finding our place in the region and maximising the opportunities presented by a growing Asia as described above, we will need to address the cultural and linguistic barriers that – while improving – still remain. The depth of Australia’s linguistic and intercultural competence will be a determining factor in the future success of developments in trade relations and economic competitiveness, as well as innovation, science and technology, research capacity and international mobility.

Speaking the same language

Language is fundamental to communication. No social interaction – and hence no relationship-building or business deal – can take place effectively without it. Yet, despite the promotion of Asian languages being an education policy goal since the 1990s, participation and interest in foreign languages has remained stubbornly low.

Eighty-one per cent of Australians speak only in English at home. Just 13 per cent of Australian year 12 students study a language other than English. Of the ~70 000 students



Increased proficiency in Asian languages would provide benefits to the economy, research collaboration and cultural awareness. (Source: michaeljung/Shutterstock)

enrolled in the NSW Higher School Certificate in 2014, only 2.2 per cent studied Japanese, 1.3 per cent studied Chinese and 0.3 per cent studied Indonesian.

This is not to say that English is the only language spoken in Australia. There are at least 350 other languages in use, including those of Aboriginal Australians and migrants from Europe, Asia and the Pacific. Seventeen per cent of the Australian population speak a language other than English at home, the top ones including Asian languages such as Mandarin (1.7 per cent), Cantonese (1.3 per cent), Vietnamese (1.2 per cent) and Hindi (0.5 per cent), with other top languages including Italian (1.5 per cent), Arabic (1.4 per cent), Greek (1.3 per cent), and Spanish (0.6 per cent).

Part of the lack of interest in studying another language may be due to many English-speaking Australians believing that English is a language understood around the world, alleviating the need to learn anything else. This is true to some extent: the capacity to speak more than one language is widespread in the Asian region, with many Asians learning English; it is spoken by nearly 800 million people in Asia, although the level of proficiency varies across countries.

Nonetheless, knowing a language other than English is important for success, particularly in tourism as noted above and for business (especially when engaging with small to medium-sized entities), and also in medical and mental health professions where familiarity with other languages is invaluable for providing care. Evidence shows that people who speak only English are at a significant disadvantage when engaging in a multilingual world. This very likely leads to losses to the Australian economy – for comparison, the

British Council estimates that poor language competency in the United Kingdom results in a direct loss of at least \$13 billion a year to the UK's economy due to the constraint on building international connections.

Even just some familiarity with another language leads to greater sensitivity with other cultures, resulting in more effective social interactions and business relationships. The opposite is also true – an ignorance of Asian languages and culture translates into ignorance of Asian business partners and a lack of understanding of client choices based on cultural preferences (and hence markets), reducing economic opportunities.

But the need for proficiency in Asian languages goes beyond the benefits to the economy. It would also benefit research collaboration, and would move Australia from being a country that projects an outdated image of isolation to one embracing mutuality and cooperation with our regional neighbours. To encourage greater interest and proficiency in Asian languages, we need policies, investment and recognition of the benefits. Continued support, incentives and fresh approaches for learning languages and intercultural skills are essential at school, university and in the workplace if Australia's Asia capabilities are to grow.

Options range from the enforced (for example, making the learning of Asian languages compulsory at school) to subtle (for example, increasing cultural activities and providing incentives to increase interest in Asian languages). The effect of government policies and intervention on Australians learning foreign languages is clear. For example, the establishment of the Federal Government's National Asian Languages and Studies in Australian Schools Taskforce in 1995 saw an increase in schools offering Asian languages and an increase in students studying an Asian language; but after funding ceased in 2002 there were immediate flow-on effects, with a 75 per cent decline in relevant teacher training and a decline in Asian language study over ensuing years. The Federal Government in 2015 aimed to have, within a decade, 40 per cent of year 12 students studying a foreign language, preferably one from Asia. Building on this aim is the Federal Government's New Colombo Plan (see box), which provides an example of successful policy to promote connectivity with Asia via students.

The New Colombo Plan

The Australian Department of Foreign Affairs and Trade launched the New Colombo Plan in 2014, aiming to make study in Asia a rite of passage for Australian students.

The five-year program supports Australian undergraduates to study, undertake internships, live and work in Asia. This initiative aims to address the largely one-way flow of students from Asia to Australia. Internships, involving government, universities and business, will enable students to benefit from the growing employment opportunities in the Asian region. Hong Kong, Indonesia, Japan and Singapore hosted Australian students in 2014, and other countries are being added.

The program will also increase knowledge of the region in Australia, promoting links between people in Australia and neighbouring countries, especially among young people. To be successful, study periods will have to be long enough to enable immersion in a particular country and culture beyond a tourist experience and hence facilitate a deeper understanding of Asia.

From learning language to comprehending culture

Learning a foreign language to enable social interactions, often benefiting business, is just the start. It has a significant positive effect on knowledge and perception of another country. There is a correlation between poor knowledge and negative perceptions; that is, the more people know, the more likely they are to be positive about another country. Knowledge of Asian languages is hence critical for deep, mutual and long-term engagement with Asia.

With the rise of new middle classes in Asia, and the aligned increase in travel and use of social media, there has been a massive rise in cultural understanding and connections across the Asia-Pacific region. Culture and international relations are now closely tied, with the consequence that policies need to address a country's cultural credentials to benefit its international standing in the field of 'cultural diplomacy'.

Cultural diplomacy focuses on the outward projection of a country's culture, to make people think about the country in a positive way, encourage visits, build trust, and influence behaviours such as business investment and political alliance. It is now an important tool for influencing international attitudes and perceptions.

There has been a rapid increase in cultural diplomacy activity across the Asian region since the late 1990s. However, Australian activity has not kept up with the increased cultural diplomacy activity. This relative lack of cultural diplomacy has led to Australia having a lack of soft power – the ability to influence others through attraction rather than coercion or payment. This needs to be addressed through actions that aim to update the perceptions of Australia in the Asia-Pacific region, and bring into the 21st century the way



Sharing Aboriginal and Torres Strait Islander cultures with our Asian neighbours is one way to improve understanding of Australia as a multicultural society. (Source: ChameleonsEye/Shutterstock)

Cultural diplomacy thanks to Bollywood

Movies produced in India, particularly those from 'Bollywood' in Mumbai (Bombay), have contributed positively to cultural relations between India and Australia.

The participation of Indian-Australians in the Bollywood industry has led to intercultural exchanges between the two countries. Facilitated by Indian film professionals working in Australia, Bollywood productions featuring Australian locations became prominent in the 1990s. Successful movies in the 2000s showcased Australian locations including the Sydney Opera House, Sydney Harbour and the Gold Coast. Tourism Australia, as well as state tourism organisations, even made use of Bollywood films to promote Australia to affluent and mobile people in India.

Cultural professionals were important in mediating intercultural relations after the 'Indian student crisis' of 2009, triggered by attacks on Indian students in Melbourne and Sydney. The perceptions of widespread racism against Indians in Australia affected bilateral relations, and Indian film unions called for a boycott of productions in Australia. However, cultural diplomacy helped. For example, a free concert given by renowned soundtrack composer AR Rahman to a large culturally diverse audience in Sydney in 2012 sought to deepen connections between Australia and India. This and other interventions by artists were not official cultural diplomacy activities directed by governments; rather, they were enabled by the global reach of the Bollywood industry and the cultural networks generated by people of Indian descent living in Australia.

Australians see our place in the world. We need to invest strategically in cultural diplomacy through a national framework. This could add to incentives proposed in the 'Tapping into the market while avoiding the risks' section of this chapter (p. 28) for international research collaboration on regional issues; these would also promote research diplomacy and benefit Australia's relationships with its neighbours.

This includes continued showcasing of Aboriginal and Torres Strait Islander cultures, which are important to Australian identity, to create understanding of Indigenous cultures. There is strong fascination with Australian Indigenous art and culture in Asia, particularly Japan. However, showcasing positive cultural achievements should not be tokenistic nor hide the well-known problems of Indigenous social and economic disadvantage. Indigenous culture should also be presented in an integrated way with other traditions, rather than in isolation, to reflect Australia as a multicultural country integrated with Asia and the Pacific.

Intrinsic to cultural relations are cultural exports. A study commissioned by ACOLA's *Australia's Competitive Advantage* report panel found that promotion of Australian culture and creativity on a global scale is severely lacking, which harms our international trade in cultural goods and services. Australia has a large deficit in cultural trade when compared with other advanced countries; even worse, it is reducing investment in arts and cultural economy at a time when the market in the region is growing. This is of particular concern since many Asian economies – led by China – have targeted cultural exports for large-scale strategic investment.

Cultural and creative institutions also contribute to cultural diplomacy and culture as exports. The importance of such institutions, and the increasing efforts in cultural activities by Asian countries, seems to be missed in discussion about exports, and is not

receiving adequate policy attention. The rise of Asia creates opportunities for the creative industries to provide products and services that meet the demands of a growing middle class. However, major problems arise from our traditional orientation of cultural reference points towards the United States, the United Kingdom and Europe. This is not adequate for the needs of the Asian Century. The Federal Government's 2012 *Asian Century White Paper* aimed to address the lack of Asian capability, but did not provide many ideas on how a cultural reorientation towards Asia might take place. Cultural institutions can contribute to the attractiveness of Australia for skilled migration from Asia, building on specific images provided by Australian arts and culture on the international stage to promote an open, welcoming, democratic and egalitarian country. For example, Australian galleries, art networks, academics and cultural entrepreneurs have developed strong connections with the Chinese visual arts, and Australia is now seen as a destination for Chinese artists to live and work.

Better business

The representation of Asian-Australians in public life and politics is not proportionate to the population ... when they reach their 40s and 50s they seem to disappear from public life.

– Jason Yeap OAM, quoted in 'Where are Asian-Australians in public life?'
The Age, 13 October 2014.

Australian businesses in Asia

Engagement by Australian businesses in the growing Asian market is surprisingly low, with many companies complacent and not seeing a need to change. A report by PricewaterhouseCoopers in 2014, which surveyed more than 1000 Australian businesses, found that 88 per cent have no experience at all of doing business in Asia. Concerning for a future where we need to be ready to make the most of the economic opportunities presented by the rise of Asia, around two-thirds of the Australian businesses surveyed had no intention of increasing their Asian engagement in the near future. As the report states, 'putting it bluntly, Australian business has operated in a relatively sheltered, comfortable competitive environment'.

Australia invests more in New Zealand alone than in China, Indonesia or all ASEAN countries combined. According to the survey, fewer than 10 per cent of Australian businesses operate in Asia, while only 12 per cent have any experience of business in Asia at all. Large companies are better engaged than small and medium-sized enterprises, with about half of those surveyed doing business in Asia. But for large companies that do engage with Asia, activities were limited and the total contribution of it to their bottom line was only 12 per cent.

*Australia invests more in New Zealand alone than in China,
Indonesia or all ASEAN countries combined.*

Meanwhile, China, Japan and South Korea have invested across Asia to a much greater extent than Australia, and global brands from Europe and the United States are also well

established within the region. Australian companies are seen to possess only average Asia capabilities when compared to international competitors, falling behind on their understanding of, and experience operating in, Asian markets, in cultural awareness and language proficiency, and in dealings with Asian governments and regulators. They also appear to be behind competitors in the customisation of their organisations, people, and products and services to the context of each Asian market.

Some large Australian companies have successfully engaged in Asia. These include the ANZ banking group, Linfox Logistics, RMIT University International, the Leighton Group, Hassell, Seek, Jetstar, and Orica. These companies demonstrate the possibility of specialisation, effective management and a successful global strategy.

Engagement with Asia by Australian small and medium-sized enterprises may improve with increasing business ownership by people with strong links back to the countries of Asia. Between 2006 and 2011, businesses owned by Australians born in China rose 40 per cent, and for those born in India by 72 per cent. In 2011, 28 800 businesses were owned by first-generation migrants born in China, while 16 700 were born in India, making a combined total of 45 500 businesses (from a total of some two million businesses trading in Australia). Chinese and Indian businesses operate mainly in sectors such as accommodation and food, retail, manufacturing, health care, and professional, scientific and technical services. These business owners are in addition to the majority of Chinese and Indians in Australia who are employees, mainly in knowledge-intensive industries with strengths in science, technology, engineering and mathematics.

Changing the culture of business

There is a widespread belief among Australian businesses that engaging with Asia is too hard. The PricewaterhouseCoopers report suggests Australian businesses think engagement with Asia is difficult and they are held back by a fear of the unknown. This is largely because of real and perceived differences in cultural practices, traditions and language.

The Western, transactional models used in Australian businesses emphasise verbal communication and appreciate directness. Eastern businesses focus more on relationships and are comfortable with ambiguity. A further advancement of Australia's skills capability is clearly needed if we are to realise business opportunities. In particular, an understanding and appreciation of cultural nuances and the diversity of this region, as well as an ability to handle multiple interpretations and contested narratives, are critical for Australian businesses to make significant headway into Asia.

The PricewaterhouseCoopers report found that many business owners and executives think Asia is 'very different', and uncomfortably so. The report found that 'Australian business is a long way from the level of engagement, investment and commitment needed to secure a long-term share of the region's growth'. Companies are often driven by short-termism, seeing Asia as risky and devaluing the long-term investment required to succeed in Asia. These attitudes and preconceptions need to change if Australia is to pursue smart engagement with Asia.

While people doing business with Asian countries may not need to be fluent in the relevant language, an understanding of the culture and ways of doing business is a necessity for success. Cultural literacy and an awareness of business approach in Asian countries would benefit the business sector, improving the relationships that are the bedrock on which business interactions sit.

The importance of changing attitudes is illustrated by a survey of 380 businesses by Asialink and the Australian Industry Group, which found that Asia, particularly China, is

considered important to business success, with over half the respondents citing their Asian operations as highly important, and three-quarters indicating an interest in expanding into Asia.

However, more than half of Australian businesses operating in Asia did not have much board or senior management experience of Asia or Asian languages. Only around 4 per cent of Australia's top 200 publicly listed companies' board directors are of Asian descent, with about half of these (1.7 per cent) being Chinese. Indeed, the cultural ancestry of leaders in Australia's top companies is overwhelmingly white, with less than one-quarter having a non-Anglo-Celtic cultural origin. Chinese and Indian directors and executives are significantly under-represented when compared with Australia's population or workforce – while 9.4 per cent of the Australian labour market are Asian born, only 4.9 per cent advance into senior management roles and even fewer progress to director positions. As expressed in one study of the cultural ancestry of leaders, Australian boards and leadership appear to be 'pale, male and stale'.

The under-representation of people with Asian or Pacific backgrounds on industry councils and business associations and in trade discussions and delegations extends beyond business. It is also apparent across government and in public office, in educational leadership, and within peak bodies that promote Australia-Asia diplomacy. This should be a major concern for a country geographically positioned in the Asia-Pacific region and with a significant percentage of its population represented by Asian and Pacific communities, especially one that has a need to strategically look to the rapidly growing region to plan for its economic future.

Only around 4 per cent of Australia's top 200 publicly listed companies' board directors are of Asian descent.

Asian diasporas

The expanding use of the internet and social media, combined with mass international travel, means that simple, one-way transmission of government information is just one small way to present a country's national image. People seek out their own information, and the dissemination of cultural information is no longer controlled by governments. Governments wanting to pursue smart engagement should avoid one-way broadcasting of messages about national characteristics, or any other processes that can be interpreted as propaganda, as this would not only fail to convince, but also would very likely have a negative effect on cultural diplomacy. Cultural diplomacy needs to focus more on mutuality, cultural exchange and cross-cultural understanding. The role of government is not to control the cultural relations initiated within society but to create the conditions for cultural exchange to flourish.

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Many others beyond government now play a role in shaping international cultural relations. These include independent cultural, media and educational institutions, cultural NGOs, businesses, private foundations and philanthropists, and individuals such as artists and sportspeople. Communities of people of Asian descent living in Australia (referred to as Asian diasporas) play a major role, as do those with Pacific heritage. Asian diasporas are

a resource for linguistic skills, cultural knowledge and social networks that can help connect Australia with various parts of Asia.

About 8 per cent of Australia's population was born in Asia, a much higher percentage than the United States (4 per cent) or United Kingdom (2 per cent). Australia's two largest Asian populations were born in China and India. The Chinese and Indian communities have been present in Australia since the early-to-mid 1800s. By 2031 the Australian population of those born in China is expected to rise to 1.3 million, while those born in India is expected to be 1.4 million. These numbers further increase if they include not only migrants, but also their Australian-born descendants, people of mixed parentage, and temporary residents. Today, ~17 per cent (four million people) of Australia's population identify as being of Asian origin. It is this broader catchment of people of Asian heritage that make up diasporas. The Chinese and Indian diasporas in Australia are currently estimated to be at least 1.2 million and 610 000 people, respectively. (While the ACOA SAF03 and SAF11 reports focused on the Chinese and Indian diasporas, there are other diasporas connected to the Pacific and Asia, notably Indonesia, Vietnam and the Philippines, which are seen as the next emerging Asian economic superpowers due to these countries' manufacturing and increased consumerism.)

A transition is required to recognise – if not celebrate – Australia's potential in Asia, with better resourcing of bodies that support trade and investment between Australia and Asia, and policies that support connectivity.

Australia's Asian diasporas already are making major contributions to the Australian economy through trade, investment, technological innovation and knowledge transfer. Asian business diasporas have a role in strengthening bilateral relationships and facilitating trade, investment and commercial opportunities between Australia and their home countries. Australia's Asian diasporas have the advantage of language skills, cultural knowledge and global networks. Business activities are bolstered by connections, high mobility and skill in circulating ideas and resources around the world. Members of Asian diasporas should be involved regularly as informal ambassadors in areas of entrepreneurship, innovation, philanthropy and volunteerism.

As Australia's economy moves towards industries relying heavily on knowledge and technology, as well as being focused on Asia, Australia's Asian business diasporas provide unique abilities to realise opportunities. A deeper understanding of the region and the intercultural skills essential for agile, adaptive and creative business can be drawn from people who live in Australia but are active in Asia. Governments, institutions and industry need to better support the activities of Asian diasporas and create favourable conditions for them to help Australia's business links into Asia. A transition is required to recognise – if not celebrate – Australia's potential in Asia, with better resourcing of bodies that support trade and investment between Australia and Asia, and policies that support connectivity, mobility and circulation for business, investment and innovation.

Meanwhile, about one million Australians live overseas, mainly in Europe and North America. Only between 10 and 17 per cent of those living overseas are located in Asia – particularly China, Singapore and Japan, followed by Thailand, Indonesia, Malaysia and Vietnam. This relatively small number of Australians recognise the emerging importance of Asia as the centre of global opportunities, but often feel their recognition that Australia's future lies in the Asian region is not adequately understood in Australia. This Australian



Chinatown, Sydney. Australia's Asian diasporas make major contributions to the Australian economy. (Source: Enoch Lau, CC BY-SA 3.0)

diaspora in Asia can contribute to Australia's public diplomacy, and pass on understandings to other Australians regarding the opportunities for Australia in the Asian century.

Diasporas are already being used by Asian countries to extend relationships around the world. The Chinese and Indian governments are deeply conscious of their global diasporas and plan to use the knowledge and skills of up to 65 million overseas Chinese and 25 million overseas Indians. They are developing policies that aim to increase trade, investment and research collaboration. In contrast, the policies of advanced economies such as the United States, Canada, Germany, Ireland and Singapore are mostly designed to attract skilled migrants and investors who have business networks in Asia only for improved economic productivity.

The idea of 'diaspora advantage' suggests how the linguistic skills, cultural knowledge and informal networks around the world provide an advantage to many areas including trade. If Australia were to scale up the relationships that exist informally, all Australians would reap the benefits. An increasingly diverse Australian population with extensive links throughout the region and beyond could create global business linkages, especially in Asia. Such links would benefit the members of the Asian diasporas while helping Australia extend its economic links with Asia.

There is a significant opportunity to consider the social, economic and political conditions that can further realise the advantages offered by Australia's Asian and Pacific diasporas. This would enable a move from outdated notions of migration towards the concept of diasporas that better portray how Asians live and work here. Australia could lead the world in developing policies and programs that encourage more effective engagement of Asian and Pacific business diasporas.

China, Australian wine and Chinese students

Chinese students in Australia can help wine businesses reach Chinese markets, according to research by the University of Adelaide's Australian Population and Migration Research Centre.

The Centre found that although wine businesses are interested in starting (or increasing) exports of their wine to China, many do not know how to engage with the Chinese market. This is similar to the lack of knowledge and experience faced by businesses in other sectors, as described above.

This lack of Asian capability can be assisted by Chinese students and graduates in Australia. There is great potential for Asian graduates of Australian universities, when they return to their home country, to play a key role in extending the reach of Australian businesses into Asia. Such graduates have a justifiable pride in being graduates of Australian universities but tend to be contacted only sporadically by their alma mater universities.

For example, an Adelaide Hills wine business that had little engagement with China increased exports thanks to a Chinese wine business postgraduate they had employed who spoke fluent Mandarin. The student answered enquiries from China and translated wine tasting notes for the Chinese market. This made the company easy to deal with from China, enabling interactions in the customers' native language.

As a result, China now accounts for more than a third (around \$2 million) of the company's total revenue.

Another Chinese wine business student helped export more than 40 containers of wine to China during his time as a university student.

The strong Asian demand for quality Australian wine (and other speciality alcohol and food products) is increasing. Asian students' language skills, networks, business connections, and familiarity with business cultures in both Australia and their home country enable them to overcome what can be perceived as a complicated market, to help established Australian businesses engage with Asia, or indeed to start up their own businesses.

Conclusion

The potential role of the Asian business diasporas in Australia's innovation agenda cannot be stressed enough.

– Professor Fazal Rizvi, ACOLA SAF11 Expert Working Group

This chapter on Australia's place in Asia draws on two key ACOLA reports (SAF03 *Smart Engagement with Asia: Leveraging Language, Research and Culture* and SAF11 *Australia's Diaspora Advantage*), as well as incorporating cross-cutting themes about Australia's place in Asia that appear in the other nine ACOLA reports.

As noted in the introduction to this chapter, we need to address several key findings identified through the interdisciplinary research and evidence of ACOLA's Securing Australia's Future reports.

This will mean providing incentives to increase the awareness of other languages and cultures at all stages of learning. It will involve improving relationships based on cultural activities and collaborative research on regional challenges. It will require investment to exploit Australia's competitive advantages and export strengths provided by our geography and environment. And importantly, it will require an acceleration of the shift in perceptions of ourselves and our neighbours to improve business relationships and make use of the wealth of experience and networks offered by communities linked to the Asia-Pacific region.

If we recognise these findings and act on the implications, Australia will be smarter in its engagement with Asia, take advantage of its place in the Asia-Pacific region, and go some way towards securing the future.