

ASIAN STUDIES ASSOCIATION of AUSTRALIA

Australia in the Asian Century Panel

University of Western Sydney

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John Menadue – Speaker's Notes

Asia. Business failure...the new Conquistadors and the long smoko

Australia's long term problem in relations with Asia

Since our settlement as a small, remote 'white' English speaking community, we have been afraid of Asia and its large populations. We have clung to remote global powers for protection – Britain and now the United States. We are working our way out of this fear of Asia, but our fear keeps raising its head and is easily exploited by opportunists..

- We have broken the back of White Australia, but it keeps coming back, particularly since the time of John Howard and Pauline Hanson. Tony Abbott's and Scott Morrison's campaign to demonize asylum seekers is really a proxy for a campaign on race.
- The hostility to a small number of skilled workers to plug some gaps in the mining industry workforce shows also that same fear of Asia.
- The campaign against Chinese investment, particularly in agriculture, led by Senator Barnaby Joyce is really a replay of the hostility to Japanese investment thirty years ago. It is time we grew up. In the 1980s our media was full of hostility to Japanese investment 'the local community begins to feel Japanese are not playing fair and square' (AFR 7 April 1988); 'a single piece of seamless fabric – companies interwoven with government' (SMH 23 May 1987); 'Japan's 20 biggest companies could buy the entire state of NSW using just one year's profits' (SMH 23 May 1987). This is despite the fact that Japan and more recently China have a quite small proportion of the stock of foreign direct investment in Australia. In 2011 the FDI percentages were USA 24%, UK 14%, Japan 10%, Netherlands 6%, Switzerland 5%, Singapore 4% and China Mainland 3%. There are concerns about Chinese Sovereign Wealth Funds but what about the wealth funds in the Middle East?

Gone on Smoko

- It seems counter-intuitive when one considers the Asian presence – students, visitors and trade. But we are probably less Asia-ready than we were 25 years ago.
- In the 1980s and early 1990s at the time of the Garnaut Report we were making progress in such areas as Asian language learning, media interest in Asia and cultural exchanges, but we have been 'on smoko' for the last 25 years.
 - Asian language learning and education funding at university are in relative decline.
 - The national policy on Asian languages adopted by the Hawke Government and COAG has run into the sand.
 - Most Asian language learning is in crisis. Only the other day I noticed that the Japan Foundation had stepped in to keep Japanese language learning going for another three years at the University of Canberra. French language learning is more popular. It may help tourists reading menus in Paris but it is not much help in our region.

- The first working holiday program was with Japan in 1980. We didn't have another one in Asia until 1996 with the ROK. We still don't have one with China, India or Vietnam.
- The Australia media is still embedded in our historical relationships with the UK, and the US. News items from Asia tend to be the weird, the funny and the menacing. Aussies in strife in Asia are a case of perpetual indulgence, particularly our drug runners in Bali.
- The ABC does it better than other media, but typically its 20 year anniversary of Foreign Correspondent was overwhelmingly about New York, Berlin, Bosnia and Cairo.
- Most of our reporting of Europe comes out of the UK accompanied by the usual English bias and invective towards Europe. The Euro crisis has been an occasion of almost gleeful characters in our media of the French, Germans, Italians and Greeks. Forget that the EU is the largest trading bloc in the world and that after centuries of war, Europe is peaceful and prosperous.
- Why did we go on smoko?
 - Change is always painful and the end of White Australia particularly with the Indochinese program during the Fraser period, followed by the Hawke Government's economic restructuring was unsettling and painful for many. And Paul Keating was no slouch either. He became a true believer in Asia almost overnight. It was full throttle, a Defence Treaty with Indonesia and an Australian Republic to signify that our future was no longer with a British monarch. In retrospect, we didn't manage the change well enough.
 - An unsettled community provided an opportunity for John Howard to reassure us that under his guidance we could be 'relaxed and comfortable' again. Fear of Asia was engendered with dog whistling about Asian numbers and then boat arrivals. John Howard was the big interruption in the process of Asian involvement and Asian literacy, although he tried to mend his ways in his later years as PM, particularly in relations with China.

The biggest failure has been in our business sector

The business sector's failure to skill itself for Asia has been a major barrier to developing Australia's potential in the region and improving productivity in this country – something which the Business Council tells us about repeatedly. Business has not looked at its own performance. –getting its own house in order. It clings eagerly to the Coalition's wrecking ball against probably the best performing economy in the world. I don't think there is a Chair, Director or CEO of any of our top 150 companies who can fluently speak any of the languages of Asia. They show little interest in up skilling themselves. It is those awful unions that are to blame.

This lack of knowledge and understanding of Asia in corporations has meant that university graduates with Asian skills have not found the employment opportunities they hoped for. On the employment front, many of them ran into a dead end. Many Chinese who decided to migrate from Hong Kong to Australia in the mid 1990s are now returning to China. In the 1990s I knew many Australian young people who had acquired Asian skills. Unfortunately, they had to go offshore, for example to Hong Kong or Japan, and work for multinational companies. What a loss! Australian employers just didn't get it and the Australian taxpayer footed the bill.

Only four Australian companies in the top 150 bothered to put in a submission to the Henry Review. They were ANZ Banking, ASX Group, IAG and Rio Tinto. BHP didn't make it. That says a lot.

Far too many Australian businesses opportunistically see Asia as customers rather than partners. In the long-term trade and investment is about relationships of trust and understanding. That can't be done through an intermediary or an interpreter.

- A recent survey by the Business Alliance for Asian Literacy representing over 400,000 businesses in Australia found that 'more than half of Australian businesses operating in Australia had little board and senior management experience of Asia and/or Asian skills or languages'. The closest some Australian business executives get to Asia is the Rugby Sevens in Hong Kong. There are now tens of thousands of Australian born citizens of Asian descent at our universities. These Australian-born young people are more likely to be recruited for their good grades and work ethic rather than their cultural and language skills. They may just drift off as they did in the 1990's.
- It is obviously too late for Chairs, directors and CEOs to acquire Asian language skills, but it is not at all clear that they are recruiting executives for the future with the necessary skills for Asia. It is hard to break into the cosy directors' club. The club need a drastic shake up and hopefully the Henry Review will focus on it.
- Maybe we don't need an Asian language or indeed much business sophistication to dig up and sell iron ore and coal to very willing buyers, but we certainly do to sell wine, elaborately transformed manufactures and services, particularly tourism.
- Tourism from Asia has boomed but we don't get enough repeat business. We skip from one new market to another – first Japan, then Korea and now China. Not surprisingly the Australian Tourism Export Council told the Henry Review that we needed to improve our tourism product.. The Australian Tourist Commission spends a lot of money on marketing extravaganzas like Crocodile Dundee and Oprah Winfrey when it should be looking to improve the product. Too often the non-English speaking tour groups float around in Australia in a cocoon run by their own countrymen, shielded from Australians who should be employed to service them and help them with an enjoyable Australian experience.
- Success in Asia requires long-term commitment but the remuneration packages and the demands of shareholders are linked to short-term returns. Corporate governance in Australia is failing to equip us for the Asian century.

The new conquistadors

- Our mining industry is in the front line in our commercial relations with Asia but can we really imagine our new mining conquistadors building long-term relations with Asia? Not surprisingly their approach is to exploit the resources and move on.
- The Spanish and Portuguese conquistadors lacked any social sophistication or appreciation of the rights of others. Have our conquistadors any understanding of the rights of all Australians who own the mineral resources?
- Just as conquistadors played one tribal group against another, so our conquistadors play the mining states against the rest..
- The Australian conquistadors spent \$22 million on an advertising campaign and got rid of a Prime Minister and saved \$66 billion in taxes. Our conquistadors were able to buy the nation more cheaply than the conquistadors of Portugal and Spain ever could buy South America.! It would be even easier in future if they owned a newspaper.

China and the US – running with the hares and hunting with the hounds.

As Malcolm Fraser pointed out very succinctly in his Whitlam Oration at this University (UWS) last month 'Unconditional support (for the US) diminishes our influence throughout East and Southeast Asia'. Telling the Chinese that they are our most valued trading partner while blocking their investments and accepting US Marines in Darwin to contain their influence is not sustainable. It is

quite bizarre and quite contrary to developing sound relations with China that we think that we can run with the hares and hunt with the hounds like this. It will inevitably catch up with us. I hope that Ken Henry will address this critical issue in our future relations with Asia and China in particular.

Diplomatic Initiatives

Diplomacy is about persuasion and the most effective approach to persuading someone else and gaining their cooperation is through offering an idea that satisfies their own interests without seriously prejudicing our own. There are very few people in Australia who have the faintest idea what, for example, Indonesia's interests may be. When is the last time we heard a minister, politician or business leader talking about Indonesia in these terms? Indonesia is making great strides in prosperity and democracy for its people. Our portrayal of them is invariably about cattle, Australian drug runners in Bali and the crews of asylum boats.

Public Sector

The Australian Public Service, particularly DFAT and including Austrade, has done much better than the business sector. But it is nowhere good enough. It is encouraging to hear the Secretary of Prime Minister and Cabinet, Ian Watt, highlighting the need for the APS to be better prepared for the Asian Century.

Conclusion

Donald Horne in the 1960s said that 'Australia is a lucky country run by second-rate people who share its luck'. Quite severe, but I think we have made some progress since then. It is important that we don't waste the opportunity of the Henry Review to get us back on track for our future in Asia. Let's hope that this report is not "bowdlerised and bastardised" by powerful vested interests like the report on the tax system. The key is for Australia to be open...open to new people, new investment, new trade new languages and new ideas.

We are both enriched and trapped by our Anglo-Celtic culture.

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