

Australia China Business Week
19th June 2013

Keynote luncheon address

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The emerging role for Australian business leaders in the Asian Century

Thank you David [Thomas] for the invitation to say a few words today. I'm delighted to be here.

ACBW and the Australian Business Forum have become synonymous with the Australia China business relationship and are supporting the creation of the many networks and personal relationships that are critical to business success.

I'd also like to acknowledge Victorian Government Treasurer Michael O'Brien and Ms Liu Yu, the Commercial Councillor of the Chinese Consulate-General.

1. New thinking in our engagement with China

I want to start by presenting you with a challenge - to think deeply about Australia's relationship with China, and perhaps more importantly, about your own personal relationship with China.

Whether you are starting out, or have been engaged with China for a while:

- how can you take that relationship to the next level?
- and, as business leaders, what can you do to make Australia a beneficiary of the huge economic transformation that is taking place on our northern doorstep – and not be left behind in the wake of Asia's economic development?

At one level we can say that the bi-lateral relationship is in the best shape it has ever been. But we are living in a hugely competitive, globally connected, market. We cannot afford to rest on our laurels.

For the last 6 years I've been working in Beijing at the centre of the world's fastest growing economy.

I've been surrounded by people whose intensity of aspirations and whose basic needs for energy and food are driving an economic transformation of a kind never seen before.

China of today is very different to the China of 5 years ago and vastly different from the China of 10 years ago.

All this requires that we view Chinese market, its people and its system of government in a new light.

We are not dealing with something that is a bit different from the past, or even a lot different. It will be radically different and I'd like to challenge you to think of China in a way that may seem unfamiliar and challenging – even for those who have operated in China for a long time.

I'd add that this is not just a challenge for us. The Chinese themselves have only just started to digest the implications of the changes they are going through.

The last 30 years of opening-up has been extraordinary. The Chinese people are now starting to look at the impact of decades of double digit growth – they are trying to manage its effect on the environment, figuring out how to feed a nation, managing domestic expectations and dealing with the outside world.

I've no doubt that every major dimension of China will be more different during the next decade than what it was over the last decade.

But with challenge comes enormous Opportunities.

China's urbanisation rate, currently around 51%, is expected to grow at about 1% each year for the next 30 years. That means another 13 million people moving to cities each year – all demanding more and better services and aspiring to a better quality of life.

More significantly China's growing middle class will mean that by 2050, Asia's share of global domestic product - led by China - is expected to be double that of all the major western powers – combined.

That growth, and demand for resources, food, education and services of all types has the potential to underpin Australia's economy for decades ahead.... but only if we recognise that it is a new game that we are now playing.

The major structural changes taking place in China's will unleash a new generation of Chinese companies which are better able to compete, positioned higher up the value chain and determined to operate on a global basis.

We will see the emergence of globally relevant state-owned entities and experience the dynamism of China's private sector.

2. *The challenge for Australia*

So our challenge is to recognize the new reality, to better understand the vast implications it holds for Australia, and to imagine how we can be part of the new wave of growth.

For business this means being a more active participant in shaping the rules of play.

Whether it is through active participation at events such as this or through business focussed organisations such as the Australian Chambers of Commerce in China and ACBC, we have a unique ability to influence the policy agenda – and the outcomes.

But more importantly, just as business is calling on governments to recognise the changing nature of the global economy and to structure its policy settings accordingly, so too must business be prepared to make changes to its own operations and mindsets to accommodate change.

The starting point must be awareness. I've met many business and trade delegations over the years, some visiting China for the first time, others on repeat visits.

The constant theme is one of surprise at the scope and scale of the changes going on. Not just surprise at the number of new buildings, high speed rail networks and high-tech industrial R&D parks, but genuine surprise at the energy behind China's drive to transform its economy and its desire to be a key player in the global markets.

With awareness comes the ability to identify the emerging opportunities and an appreciation of the capabilities needed to push ahead with implementation of business strategies.

Embedded Asian capabilities will be the hallmark of successful organisations. Language skills are already important, but just as crucial will be an understanding of local business culture, the regulatory and legal environment and the role of government.

Looking to the future, we need to nurture the next generation of Asian-literate business leaders. Many talented young Australians who have invested their time in learning an Asian language do not currently have opportunities to work with Australian organisations in the region.

It should therefore be a priority for organisations to actively create career opportunities for these future leaders, so that they can use their skill set to the benefit of Australia's prosperity.

People-to-people links and the relationships that are built are vital to business and global relations.

Too often the opportunity to build these links at a deeper level is overlooked. There can be no substitute for regular personal contacts and shared experiences as the bedrock for trusted relationships.

4. Conclusion

Let me conclude by noting that these changes will be a challenge for many.

The 'Asian Century' involves more than a shift in strategic and economic power.

The story of the new China will require us to recalibrate all our settings. We must keep developing innovative ideas on how best to engage. We need to be open-minded and take steps to influence policy making.

I urge each of you to take on the challenge I issued at the beginning of my speech – to think about how each of you can take the relationship to the next level.

Engage China with confidence. Think creatively. Try our new business models to link you more closely into the growth markets of the future.

Thank you.