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HD **SILENCE NOT GOLDEN**

BY JEFF WHALLEY
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It's up to Australian firms to educate themselves to better exploit opportunities overseas, writes JEFF WHALLEY

ANDREW Parker has some advice for the growing swarm of Australian businesses eager to strike deals in Asia.

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Silence, he says, does not mean acceptance.

Mr Parker, who leads the Asian deals desk for consultancy giant PricewaterhouseCoopers, says that as we increasingly look to our northern neighbours for trade, cultural barriers are still rife.

It seems many typically "forthright and outspoken" Australian executives are still tripping over their words in Asian boardrooms.

In Australia, he says, "you're not left wondering what an executive's opinion is''. In Asia, however, confrontation is not a part of corporate culture.

"The mistake foreigners make in Asia is believing that silence in a meeting means acceptance,'' Mr Parker says.

He believes cultural misunderstandings are preventing stronger business links with Asia.

And this could spell problems for Australia's economy in the long run. PwC last month released its annual Melbourne Institute Asialink Index, which tracks the strength of the nation's links to Asia including trade, investment and research.

It found that Australia's engagement with Asian nations had broadly fallen. Engagement fell by 0.4 per cent in 2012, with the major drag coming from a 32.2 per cent fall in engagement with **China**.

"A slowdown in **China**'s rapid economic growth to a more sustainable rate, and uncertainty surrounding this slowdown, contributed to this decline," the report found.

Over the longer term, the trend is, unsurprisingly, positive. Since 1990, Australia's engagement with Asia has increased in all but six years. Engagement with Asia has broadly increased 56 per cent, based on the index results, while its engagement with the rest of the world has increased 23 per cent.

"Overall, the marginal drop in the 2012 index may prove to be a temporary pause in what is the long-term increasing trend in Australia-Asia engagement," it says.

But the study still concludes that Australia "has a long way to go to realise the potential of our Asian relationships".

Mr Parker suggests if Australia is to grab more of the services market, which covers everything from financial services to health and education, our businesses need to think more creatively.

“I think a lot of the debate about Australia succeeding in Asia gets thrown back to the government,” he says.

“My response is, businesses and business leaders need to show the way.’’ He says the best way services industries can do this is simply to be better educated about Asia.

“I don’t think there is anywhere near enough expertise in Australian companies about living, working and operating in Asia.’’ His **firm** is leading by example.

In October, PwC set itself a target to increase the number of its partners with an Asian cultural background to 5 per cent by July 2016.

Mr Parker says a more nuanced understanding of Asian cultures will naturally **lead** to more business opportunities.

“We tend to look at these things bilaterally, asking what opportunities have they got to export to an Asian country.

“The big opportunities are in Asia and (trade within) Asian countries.’’ He says some of the best examples have been set by the major banks — particularly ANZ chief Mike Smith, who has overseen the group’s push into the region.

“Mike Smith is a very good example. But the Mike Smiths are few and far between,’’ Mr Parker says.

Speaking in October, Mr Smith said Australia needed to start thinking about the shape of its future in Asia.

“You have to have a vision of what does Australia want to look like, then you have to work out what does the financial services sector need to look like to provide that or to allow that to happen,” Mr Smith said.

Australia needed to capture more of the “extraordinary amount of financial intermediation” in the region that was currently carried out in London and New York, he said.

Another of the major accounting firms, Deloitte, says Australia needs to “leverage strengths” in areas such as wealth management to take significant steps in Asia.

In the latest instalment of its annual report Building the Lucky Country, Deloitte analysts say wealth management and advice are key areas where Australia can provide expertise.

“Today, only $75 **billion** of the funds under management in Australia is being managed on behalf of foreign investors,’’ the report says.

“We believe there is significant room to grow this pool, but that doing so will require us to address the tax and regulatory issues — many identified in the 2009 Johnson Report — that have prevented Australia from becoming a global financial services hub.’’ The Johnson Report, commissioned by the first Rudd government, recommended a series of measures, including simplifying regulations around retail corporate bond issues, to improve the competitiveness and efficiency of the Australian financial services sector.

It also said a broader range of investment vehicles should be available to offshore venture capital and private **equity** funds wanting to invest in Australia.“Across our financial services industry, there is scope to also earn income from marketing locally created financial instruments such as **bonds** overseas as well as expand our banking services in Asia,” Deloitte says.

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