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Corporate chiefs blind to value in Asia-Pacific region

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Corporate Australia and our financial analysts are smart all right, but are they smart enough?

They didn't appear to think there was much wrong with our banking system.

And they still struggle to get the message about Asia being the prime source of global growth, decades after this began, and years since the cityscapes and infrastructure of north Asia, especially, well surpassed those of the US and Europe, with Southeast Asia some while ago joining the story.

Opposition treasury spokesman Chris Bowen told a recent Global Foundation lunch in Sydney — that included many heavyweight movers and shakers — that we're still only “paying lip-service to the Asia-Pacific region, which provides the most massive opportunities”.

The figures certainly indicate that Australia continues to lean very heavily on its resource exports to Asia to sustain the economy. Their dominance remains virtually unchanged. Relying on the health sector to continue to lead job growth does not seem a healthy option.

Bowen has studied Bahasa Indonesia through an online New England University course. He is keen, in championing greater Asian engagement, both to walk the talk

and talk the talk. “Even if our skills are not perfect, trying to learn an Asia-Pacific language shows a little respect,” he said.

It is disarming to be able to start a business meeting in the language of one’s counterparts — whether they are Indonesian or Chinese, Korean or Papua New Guinean — even if moving on to technical talks with complex vocabulary requires a translator, or a shift to English.

Bowen pointed out that more HSC students in NSW were learning Indonesian in 1972 than today. Yet by 2030, Indonesia is forecast to become the fourth-largest economy in the world, a neighbour — and one whose inhabitants, it doesn’t take visitors long to discover, have a positive disposition towards Australians, even though many of us seem to have little clue about their country.

Indonesia is languishing as merely Australia’s 14th trading partner, however, and our investment there is just over half that in Luxembourg.

Bowen said the job of politicians was “to make the case for change, as communicators not just as policymakers”.

In this pursuit, he said that the level of business engagement with Asia was “lamentable”, with few companies having people with experience of living and working in Asia on their boards.

He’s being generous. I believe it’s almost impossible to identify any top executive or director in a leading Australian company with such expertise, barring Rod Eddington and a couple of others.

Asialink Business has just produced a report saying 13 per cent of Australia’s small and medium businesses are involved in exports, even though they account for 56 per cent of the country’s economy and employ more than 7 million people.

Mike Smith took the helm at ANZ 11 years ago, as one of those rarities in having worked in Asia. His Asia-Pacific-focused strategy has been wound down since he left

in 2015, having come under incessant fire for not providing a rapid return.

He recently told a colleague that a meaningful Asian strategy was never going to be realised in five, 10 or even 15 years. He was — again — highly critical of the horizons of analysts and fund managers, whose idea of long-term, he said, extended as far as “next Thursday”.

No more than 10 Australian companies remain involved even in resources in Indonesia, one of the most prospective parts of the world.

One of them is ASX-listed Nusantara Resources, owner of the Awak Mas gold project in Sulawesi, in the country’s east. It aims to become one of the world’s top 20 gold ventures within the next five years, as it moves into production.

Managing director Mike Spreadborough is disappointed that the free-trade agreement took so long to conclude.

It won’t make much practical difference for miners like Nusantara, but might boost their confidence levels, as well as increasing the opportunities for Australia’s world-leading engineering, technical and services groups within the resource sector.

Australia will again be forgotten — we must hope — as Indonesia immerses itself in campaigning for the national elections on April 17.

The number of Australian businesspeople working in Indonesia has declined, as has the interest of Australian banks in funding ventures there. Nusantara, for instance, is chiefly now working with French banks. Shandong, China gold producer Zhaojin has invested substantially in the company, as have AustralianSuper and Lion Selection. Asian and French institutions don’t tend to see Indonesia as triggering sovereign risk.

The compliance process in Indonesia, including environmental and construction approvals, is not markedly different from in Australia these days, says Spreadborough, the former general manager of mining at Olympic Dam: “There’s no impediment for us to own a project or make it happen as expats, no road blocks.”

At the end of the 10th year of production, a foreign company has to divest 51 per cent. Nusantara, planning for output in late 2021 — after \$200 million in investment — has already identified an Indonesian partner.

Local relationships are strong, with local villages looking to jobs and other benefits, and the resource, close to a port, is reachable by daily scheduled flights from South Sulawesi capital Makassar, which itself has direct flights from Bali.

Spreadborough stresses that “there are a lot of opportunities in Indonesia”, whose government needs to balance nationalism with new resource projects after an arid period of 20 years without major discoveries.

But he must find it disappointing to have to deal with an Asian or Indonesia asset discount of 50 per cent or so to the general ASX valuation of his company’s peers in Australia.

Not so smart on our part.

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