

1 What is the vision for a China-capable workforce in Australia?

Over the past few years, the importance of China’s rise has become one of the dominant streams in public debate, with the debate centred on how Australia can best position itself to strengthen its future prosperity and security. For example, the previous Government’s ‘Australia in the Asian Century White Paper’ sought to provide a comprehensive strategic framework for Australia to maximise the value, and manage the risks, of engagement with Asia, and in particular China. Similarly, the current Government, through initiatives such as the New Colombo Plan and the finalisation of free trade agreements with China, South Korea and Japan, has continued this strong emphasis on Australia’s Asia-engagement.

Despite different approaches, a shared theme from all sides of the debate on Australia’s Asia-engagement has been the central role of Australia’s workforce and business community in ensuring that Australia maximises its position in the region – Australia’s ‘power of proximity’. This in turn has resulted in an increasing emphasis from industry, government and academia on the importance of developing Asia-capabilities – the disposition, knowledge and skills required by Australian workers and organisations to productively interact with their counterparts in the region and successfully achieve outcomes.

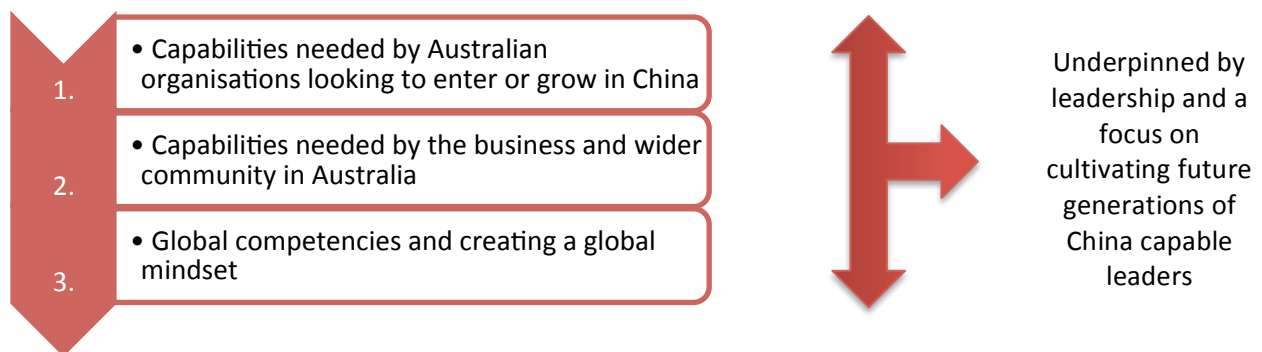
Achieving the vision of a China capable and globally competent Australian workforce will be critical for the nation’s medium and long-term prosperity.

This is a bold and multifaceted vision.

It involves far more than viewing our relationship with China – and the business opportunities this entails – through a one dimensional, trade-focused, lens. We need to broaden the narrative and widen the public lens beyond a transactional trade-in-commodities focused relationship, to embrace the diversity of opportunities that are arising from the Australia-China partnership.

At the core of this vision is a workforce that recognizes the dynamic and diverse nature of the Australia-China relationship and is adept at building trusted relationships with Chinese and global partners.

There are three key interlinked considerations:



1.1 Capabilities needed to unlock opportunities in China

A China capable workforce will have a deep understanding of, and ability to respond to bilateral economic opportunities, such as those created by the China Australia Free Trade Agreement (ChAFTA).

Organisations (including businesses, government departments and universities) will have the skills and insights needed to identify, pursue and negotiate successful partnerships with Chinese counterparts and to follow and analyse key developments in China's political and economic landscape. For instance, this includes the country's five year plans and One Belt One Road initiative, the potential development of regional trading blocks that include China (e.g. the Regional Comprehensive Economic Partnership versus the Trans Pacific Partnership (which does not include China)), major domestic developments focused on facilitating business (e.g. the Shanghai Free Trade Zone), and tax and regulatory developments at a national and provincial level that can materially impact the ability to do business effectively in and with China. In addition, organisations will respond quickly to sector specific developments which will enable them to create and capture opportunities more quickly than competitors internationally.

1.2 Capabilities needed by the business and wider community in Australia

A China capable workforce will include *all* Australians. This recognises that it is not only organisations looking to do business (or engage) in China that require specific capabilities: From academics, to hotel operators, retailers and lawyers and business consultants, more and more Australians are now engaging with Chinese students, tourists, and investors as a daily norm.¹

China has become a significant investor in Australia. Chinese investment has diversified greatly from its earlier focus on energy and mining, into commercial real estate, infrastructure, and leisure and retail². Foreign investment has always been critical to Australia's economic growth, and will remain so in the medium to longer term.

With due prudence, a China-capable Australia will be open minded and balanced in their attitudes towards such investment, recognizing its importance for our longer-term economic growth.³

Organisations and their employees that enter new partnerships or mergers with Chinese investors will do so with the confidence and skills needed to forge successful and mutually rewarding relationships.

1.3 Global competencies, a global mindset and linking with global value chains

A China capable Australia will also be globally minded, globally adept, and globally agile. This entails fostering a workforce that has a broad understanding of cultural, political and socioeconomic conditions, not just in China, but elsewhere in our region and further afield.

¹ More than one million Chinese tourists visited Australia in 2015, spending \$7.7 billion and more than double that of UK visitors over the same period (Australian Government Department of Foreign Affairs and Trade). In 2015, there were over 170,000 enrolments by Chinese students at Australian universities (Australian Government Department of Education and Training).

² Research by KPMG and the University of Sydney, Demystifying Chinese Investment in Australia, May 2015 update.

³ The issue of foreign investment in Australian agriculture is a good example. The Business Council of Australia argues that significant investment will be needed in the agrifood sector to improve innovation and productivity and to drive scale, and foreign investment will need to play an important role in delivering this investment. Research by the Business Council of Australia, Building Australia's Comparative Advantage, December 2015.

A China capable workforce will recognise the importance of – and have the skills to – actively seek and pursue opportunities not just *in* China, but jointly *with* China in other markets in Asia and globally. For example, China’s One Belt One Road initiative, which will involve more than 65 countries accounting for around half of global GDP, may present such opportunities for collaborative investments across Eurasia.⁴

Working with China, not just in China, including through collaborative partnerships in third markets will also help ensure Australian industry can better connect with (and be a profitable part of) global value chains and networks.

1.4 Underpinned by leadership and a commitment to future generations

Underpinning all three dimensions – and at the heart of the vision for a China capable, globally competent Australia – is a dedicated commitment from leadership to achieving this vision on a national scale. In a China capable, globally competent workforce, for example, CEOs and boards will have expertise to interpret major changes in China, an ability to assess how changes will impact their organisations, and finally the ability to respond pro-actively rather than reactively in determining an appropriate course forward for their organisations.⁵

China capable and globally competent leaders will also actively invest in cultivating future generations of leadership, recognising this is a vision for Australia’s long term prosperity.

2 What is being done at Asialink Business and elsewhere in Australia to achieve a China-capable workforce?

While a number of initiatives are underway to achieve a China capable workforce, significant gaps remain. In particular, these relate to gaps in the level of market knowledge and insight into China and other Asian economies, and difficulties in forming and maintaining trusted relationships and partnerships.

2.1 Analysing the challenges

Contemporary research has identified that businesses seeking to engage with China (and Asia more broadly) face a number of challenges.

A major independent research study in 2014 of over 400 businesses identified the primary ‘capability-based’ barriers for Australian business in China and elsewhere in Asia. The survey found that finding or building relationships with local partners was the biggest challenge (as identified by 17 per cent of corporates and small and medium sized enterprises (SMEs) alike).⁶

Other significant gaps identified by the survey included the limited available resources (information products) for engaging with China and other Asian markets, including a lack of country-specific information on how to commence operations in Asia, and a limited understanding of the differences between Australian and Asian business cultures (and how to adapt). For example, 37 per cent of

⁴ An ambitious strategic initiative, the One Belt One Road, may lead to new opportunities for Australia-China joint ventures and collaboration across Eurasia. See: <https://bluenotes.anz.com/posts/2016/03/why-business-should-get-behind-a-one-belt-one-road-china/>

⁵ Research by Asialink, Developing an Asia Capable Workforce: A National Strategy. This research highlighted that the higher the proportion of board members and senior executives with cultural training, language capabilities, or who have lived or worked in Asia for greater than 3 months, the more likely business performance will exceed expectations (noting that the opposite is also true).

⁶ Independent research commissioned by Asialink Business, Engaging Asia: Challenges for Australian Businesses. This research was supported by the Business Council of Australia and the Australian Industry Group.

corporates (200+ staff) and 28 per cent of SMEs highlighted that they wanted training or advice on the differences between Australian and Asian business cultures and on how to adapt.⁷

Similar findings are reflected in Australia's International Business Survey 2015, commissioned by the Export Council of Australia with support from Austrade and the Export Finance and Insurance Corporation. For instance, 37 per cent of respondents highlighted that knowledge of local language, culture and business practices were the biggest barriers to doing business with China.⁸

2.2 Bridging the gaps

Addressing these gaps and building critical China (and Asia) capabilities is crucial to equipping business with the skills needed to harness the ChAFTA and embrace other economic opportunities in the Australia-China relationship over the medium to longer-term.

A number of initiatives are underway, involving public-private partnerships, government, business and industry bodies.

As Australia's National Centre for Asia Capability, **Asialink Business** is mandated by the Commonwealth Government (Department of Industry, Innovation and Science) to support Australian organisations in all sectors to develop the critical skills, knowledge and networks needed to successfully engage with China and other Asian markets. Just over a third of the way into its ten year mandate, Asialink Business has made considerable progress towards building a China capable (and an Asia capable) Australian workforce.

This has included the launch of the [China Country Starter Pack](#), which filled the gap in available information identified in its 2014 research (referred to previously), and providing public, in-house and online training to Australian organisations looking to enter or grow in China, along with access to networks through public forums and events. In 2015 alone, there were over 5,500 participants in Asialink Business [training programs](#) and events, in seventeen locations in Australia and the region.

These efforts by Asialink Business to build a China capable (and Asia capable) workforce build on the broad agenda of work undertaken by Asialink for more than twenty five years. For example, programs conducted by Asialink Arts have deepened cultural and people-to-people links (helping to create in turn a positive environment for economic links); the Asia Education Foundation has helped improve Asia literacy in schools; Asialink Diplomacy has led significant track II dialogues in and with the region; while the Asia Australia Mental Health Initiative has partnered with private and public sector organisations for improved mental health in Asia.

Asialink Business' work has complemented the considerable work undertaken by government over several years, at both federal and state levels, to pursue the trade liberalisation agenda and create market access for Australian businesses in China. In particular, the work of successive Australian Governments to negotiate and conclude the ChAFTA, as well as ongoing outreach to business (by Austrade) on utilising the agreement, have helped create a favourable environment for achieving the vision of a China capable, globally competent Australia. These efforts have been augmented by Austrade and state government led trade missions into China to provide organisations with a real, practical, on-the-ground opportunity to engage with Chinese counterparts and to understand the

⁷ Ibid.

⁸ Australia's International Business Survey 2015. See: <http://www.austrade.gov.au/news/economic-analysis/key-publications/australias-international-business-survey-2015>

critical cultural, business and regulatory barriers that must be overcome to capture opportunities with the market.

The work of state and federal government departments and Asialink Business has been complemented by the extensive work of chambers of commerce and industry bodies. For example, the Business Council of Australia will shortly hold its CEO roundtable, now in its fifth year, to highlight the importance of business-to-business and people-to-people links in deepening the bilateral economic partnership.

Furthermore, the Australia China Business Council and state chambers of commerce (such as the Victorian Chamber of Commerce and Industry, the NSW Business Chamber, and Business SA, amongst others) have conducted a variety of activities to educate their members about the economic opportunities with China. In addition, industry bodies, including those part of the federal government’s industry growth centres⁹, such as Food Innovation Australia Limited, have undertaken significant information provision and education related activities to prepare businesses in their industries for effective engagement with the Chinese market¹⁰.

These collective efforts are invaluable in helping to set the scene for a China capable, globally competent Australian workforce. However, much work remains to be done and there is a need for greater coordination to maximise resources and avoid duplication¹¹.

3 What needs to change in Australia to make a China-capable workforce the reality?

The Asialink Taskforce for Developing an Asia Capable Workforce identified six individual and five organisational capabilities that are required by organisations seeking to engage with China or other Asian markets.¹² These capabilities are summarised in the table below.

Individual capabilities		Organisational capabilities	
1	Sophisticated knowledge of Asian markets / environments	7	Leadership committed to an Asia-focused strategy
2	Extensive experience operating in Asia	8	Customised Asian talent management
3	Long-term trusted Asian relationships	9	Customised offering / value proposition based on customer insight
4	Ability to adapt behaviour to Asian cultural contexts	10	Tailored organisational design with tendency to local autonomy
5	Capacity to deal with government	11	Supportive processes to share Asian learnings
6	Useful level of language proficiency		

⁹ These include the Growth Centres for Advanced Manufacturing, Medical Technologies and Pharmaceuticals, Food and Agribusiness, Oil, Gas and Energy Resources, and Mining Equipment, Technology and Services. There is also a Cyber Security Growth Centre that was established as part of the National Innovation & Science Agenda.

¹⁰ At Asialink Business we have identified approximately 200 industry bodies that may be relevant to industry engagement with the Asian region.

¹¹ For example, efforts to promote particular state/territory brands in the Chinese marketplace may overlap with ‘brand Australia’ outreach and be confusing to Chinese stakeholders.

¹² The Asialink Taskforce for an Asia Capable Workforce was formed in 2012 to develop a national strategy on equipping the Australian workforce with the critical capabilities required to capture the opportunities presented by the Asian region.

Mainstreaming these capabilities across all levels of the workforce remains critical to achieving the vision of a China capable, globally competent workforce.

To make this vision a reality, a **shift in mindset** and dedicated commitment is required from business, government, and the education system and policy makers alike. Fostering a China capable, globally competent mindset will involve:

- **Leadership**, across the spectrum, that is committed to translating China-focussed strategy into a reality. Business needs to be in the driving seat, with businesses leaders actively taking up the opportunities that are now available to bridge capability gaps (e.g. through training) within their organisations.
- **Patience and resilience**, that involves both an appreciation (from boards and investors) of the ‘patient capital’ that is required to see investments in China come to fruition; and the patience and resilience that is needed to establish trusted long-term relationships with Chinese partners.
- A **relationship-centred** approach, founded in a strong understanding of how to negotiate to achieve mutual gains in agreements with Chinese counterparts leading to genuinely sustainable long-term partnerships.
- Embracing **Chinese-Australian talent** and harnessing our multicultural strengths and Chinese diaspora, to ensure these individuals and community is deeply committed to – and an integral part of – achieving the vision of a China capable and globally competent workforce.
- Cultivating **future generations of China capable Australians**, including by (but not limited to) increasing the uptake of Chinese language learning and cultural competencies in younger generations, as well as supporting dedicated China and Asia-focussed leadership programs and dialogues.