



China not the only game in town

With WA's exports to China approaching \$100 billion annually, business leaders are considering how the state might create alternative opportunities in a volatile environment.



Matt Mckenzie
matthew.mckenzie@businessnews.com.au
@Matt_Mckenzie_

16-PAGE FEATURE

ESTERN Australia exported more than \$98 billion of merchandise to China in the 12 months to April 2020, more than the total to all other countries combined.

That's up nearly 67 per cent on the corresponding period to April 2018, supported in part by a high iron ore price.

However, the past few months have highlighted some of the drawbacks of this successful relationship.

After the federal government called for an inquiry into the origins of (and early response to) COVID-19, China announced a tariff on Australian barley, a ban on beef from Queensland abattoirs (for safety reasons), and changes to inspection rules on iron ore shipments.

That has added to supply chain disruptions that emerged earlier this year as China entered lockdown.

These events have added fuel to calls for WA to diversify its trade relationships.

Diversification brings challenges, however, with businesses potentially needing to make trade-offs between the best returns and risk management.

Perth USAsia Centre chief executive Gordon Flake told *Business News* there were structural reasons why WA would need to look elsewhere for growth, including India and Indonesia.

That concern is partly driven by the ageing of China's population.

"[China will be] the first country in the world to grow old before it grows rich," Professor Flake said.

China's statisticians reportedly expect the country's population to peak by the end of the decade, and contract as much as 20 per cent by 2065.

Professor Flake said a large segment of China's labour force was older than 50.

"There's not a country in the world that's been able to successfully alter the long-term decline in their fertility rate," he said.

"I don't know anybody who seriously looks at China, their demographics ... that thinks the next 30 years will look like the last 30 years."

Other challenges for China's government included environmental impact and democratic legitimacy.

"I'm far more concerned about Chinese weakness than strength, and one person who agrees with me is [President] Xi Jinping," Professor Flake said.

"The shift of China's [policy] trajectory is born of anxiety."

The Belt and Road Initiative was a good example, he said.

While there was much consternation about the program, through which China plans to invest up to \$1 trillion into infrastructure across Asia, Europe and Africa, Professor Flake said China had been trying to drum up fanfare.

"There's a real question about China's ability to sustain that much offshoring of their investment resources," he said.

Japanese foreign investment outflows outpaced China, Professor Flake said.

The world was likely to become multipolar more quickly, he said, meaning there would be numerous centres of geopolitical power in addition to the US, with China included among them.

For WA, there were several potential markets that should be prioritised, such as India and

the group of 10 countries in the Association of Southeast Asian Nations, particularly Indonesia.

India was set to become the world's most populous country, had a younger population than China, and had more upside for growth. Professor Flake said (see page 22).

While the COVID-19 pandemic might delay development in India and Indonesia, the long-term fundamentals were good, he added.

In addition, Professor Flake said WA should think beyond just trying to sell products.

"We've got to deepen our engagement with their populations and culture," he said.

"We need to get the best and brightest down here and get them to love Australia."

Asian Engagement Minister Peter Tinley told *Business News* the state government had prioritised diversifying relationships, including through the the establishment of an Asian Engagement portfolio, the first of its kind in Australia.

Mr Tinley said businesses had accelerated their thinking about alternatives to China during the pandemic.

"Too often businesses get focused on singular markets, and the crisis has identified for some industries and some sectors the folly of that, and the need to always look for alternate customers." he said.

"You cannot have a diversified economy without diversified markets.

"Lots of businesses are using the opportunity of the crisis to realign."

The state's relationships with China, Japan, and South Korea were strong, Mr Tinley said, so businesses would take the lead in those markets.

A priority for the government would be around emerging opportunities, he said.

The minister cited Austal and CBH Group as success stories

in this regard, with shipbuilder Austal operating facilities in Vietnam and the Philippines.

"We have as a government the coordination and leadership responsibility that shines a light the private sector will follow," Mr Tinley said.

"Particularly with Asian economies and governments; they like a government-to-government connection, the sub-national government connections WA has in Asia are strong.

"East Java ... our sister-state relationship is 30 years old; there's a lot of evidence to support the activation of that." Australia's trade relationship away from China, PwC partner Andrew Parker cautioned it would not be easily replaced.

"The diversification discussion in some ways does not fully recognise the dynamics of what's happening here," Mr Parker told Business News.

"It was a sensible thing to be doing," he said, but there would be a big challenge.

China was a large customer that wanted what Australia produced, so diversification should be about looking at other avenues for growth, rather than replacement.

I'm far more concerned about Chinese weakness than strength, and one person who agrees with me is Xi Jinping - Gordon Flake

With the Indonesia-Australia Comprehensive Economic Partnership Agreement due to come into force in July, Mr Tinley said work on this relationship would step up (see page 24).

"The free trade agreement is the start of the conversation, that's a nation-to-nation agreement." he said.

"The hard work really starts now.

"We need to work sector by sector ... see where the match is and where the market is with Indonesia."

Another focus would be attracting businesses from Europe and the US to move to, and investin, WA, Mr Tinley said.

Here, proximity to Asia was a big plus.

Other competitive advantages included the skilled workforce, cheap energy and stability as a jurisdiction, he said.

While there may be popular sentiment in the community and media about transitioning

"The strategy should be not China or, but China and," Mr Parker said.

China would add more purchasing power in the decade ahead than the US, India and Indonesia combined, he said.

Mr Parker acknowledged China had a demographics problem, but India had its own challenges.

One optimistic forecast for Australia's trade with India was in former Department of Foreign Affairs and Trade secretary Peter Varghese's economic strategy for the market.

That document targeted tripling Australian exports to India by 2035, which Mr Parker said would be \$45 billion annually.

At that level, it would still be much less than shipments to China.

"India, Indonesia ... these will be important economies for Australia to focus on," Mr Parker said.

Continued on page 18

FEATURE ASIAN ENGAGEMENT

Diversification calls amid China stoush

From page 17

"Vietnam is another one.

"But we shouldn't be thinking those economies alone or together are a substitute for China."

He said Australia also needed to be prepared for further trade disputes with China, following the recent barley and beef restrictions.

"There's a very real risk that we haven't seen the end of those kinds of conflicts," Mr Parker said.

"We have to get used to this sort of conflict."

However, he said history showed trade disputes between other countries and China had not reduced export growth.

Similarly, coal restrictions imposed in previous years had ultimately not led to a drop in Australian exports to China.

And for WA, the state's success in handling COVID-19 would make it an even stronger contender for tourists and

Top destinations for WA merchandise exports

(year to April 2020)

Rank	Country	\$m
1	China	98,207
2	Japan	23,349
3	UK	12,744
4	South Korea	10,976
5	Singapore	7,893
6	Taiwan	3,782
7	Hong Kong	3,702
8	Malaysia	3,051
9	USA	3,043
10	Indonesia	2,305
11	UAE	2,178
12	Germany	1,658
13	Thailand	1,588
14	India	1,425
15	Philippines	1,331



international students.

"If you're a Chinese parent, would you be sending your kid to the US or UK at the moment?" Mr Parker asked.

"The opportunity for WA being so close to the region, having terrific products ... [it] could come out of this in better shape than other states."

Optimistic

Among those who remain optimistic about China is Australia
China Business Council WA

branch president Adam Handley, who is also a partner at law firm Minter Ellison.

"There are tensions at a national government to national government level," Mr Handley said

"From a WA level, the government has been taking the right approach, leaving national issues at a national level.

"A lot of WA businesses are spending effort to keep relationships with Chinese counterparts strong."

Mr Handley said ACBC members were not talking about replacing relationships in the Chinese market but augmenting them in a 'China Plus' strategy.

Chinese businesses were doing the same, he said, including diversifying their manufacturing base into South-East Asia.

Mr Handley warned that pressure from some federal backbenchers for a more hawkish stance on China was unhelpful,

Continued on page 21



WA's future prosperity requires building not only on a successful response to COVID-19 but on our long-held foundation of international engagement.



JOIN US IN OUR EFFORTS TO STRENGTHEN WA'S ENGAGEMENT IN THE INDO-PACIFIC AND THE UNITED STATES

SUPPORTED BY

















Cybersecurity and small business as critical infrastructure



Western
Australia
Innovation Hub

CYBERSECURITY is now paramount in the minds of anyone who turns on a phone, computer or tablet and expects it to work. If a hack occurs, a person potentially loses photos, bank and social media logins, and chat history. A company potentially loses company data, customer details, quote calculations, email trails, intellectual property, reports and financials. The loss of trade, competitive advantage and company disruption can be catastrophic.

The primary focus of the WA AustCyber Innovation Hub is to raise awareness of the capability of local and national cyber companies and to assist job creation in the sector. Australian researchers and companies are widely regarded globally for their expertise and technological superiority. A focus on export markets should be a high priority.

ECONOMIC IMPACT OF CYBER

The Hub modelled the short and medium term economic impact of investing \$1 million (AUD) into 5000 small businesses in Western Australia over a six-month period. The aim was to prove that small businesses with a basic understanding and implementation of some or all the Essential 8 cyber mitigation strategies have a better chance of withstanding attacks. In this way, if a small business is ignorant of, or chooses not to deploy basic cybersecurity, it can be argued there is a societal cost where failure to act can cause spill over costs to others.

As an increasing number of Australian small businesses are working remotely during COVID-19, they are faced with a higher volume and variety of malicious cyber-attack. These hacking attempts threaten to disrupt their business in the best case and put them out of business in the worst. The model demonstrated that, for every \$1 spent to assist small business with cyber-resilience measures, a minimum of \$4.70 is returned to, and retained by, the Australian

economy. The result is that those small businesses remain open to trade and are not shut down.

BACKING AUSTRALIAN CAPABILITY

Business continuity is now viewed in terms of survival rather than predicted opportunity. This will change. The time to act and support the significant innovation occurring in the WA and Australian cybersecurity ecosystem is now. The time to procure sovereign cyber capability, support start-up and lab-created cyber innovation with proof-of-value contracts is now.

EXPORT TARGETS

The ability to create local cyber jobs largely depends on the ability to export to friendly nearshore markets. The emerging markets of Indonesia and Malaysia are targets of the Hub and its partner network which includes the Australia-Indonesia Business Council (AIBC), Pitcher Partners, the Australia-Malaysia Business Chamber (AMBC), Austrade, AusIndustry, and the Australian Trade and Logistics Corporation. The collaborations will deepen the already strong relationships between all partners to promote Australian cyber export services.

STUDENT CYBER ARMY

In a practical sense, The WA AustCyber Innovation Hub and Edith Cowan University have worked together to increase the basic resilience of micro and small businesses to cyber-attack over the past few years. The Cyber Check Me program has created a small 'cyber-army' of University and TAFE Computer Science Cybersecurity students who work with small business to build their basic cybersecurity awareness.

"We are a well-established building, construction, maintenance and consulting company servicing the Pilbara region for over 20 years. We are increasingly relying on transacting through a variety of digital platforms. We also understand the risk of being put out of business if we are victim to cybercrime.

We attended the Cyber Check Me program training in Karratha last year and we are certainly more vigilant these days when it comes to our online and cyber practices."

Sandi and Travers Clarke

Trasan Company Founders and Owners

In the pre-COVID world, visits to the Cyber Check Me pop-up stands at business events numbered in the hundreds, with registrations for local government sponsored free consultations at well over 100.

Practical demonstrations were delivered in Karratha, Geraldton, Bunbury and Busselton.

The motivations of a cyber-attack do not need to be known. The fact is that a cyber-attack can damage or destroy a business instantly. Every small business just needs to remember it is better to build a fence at the top of a hill than a hospital at the bottom. Cybersecurity can no longer be an afterthought.

"As a digital company founded on the principles of creating unique intellectual property that will change the way building approvals are reviewed and approved, we are grateful for programs such as Cyber Check Me. It is vital that small businesses remain vigilant when they send sensitive internal or customer documents to one another. Cyber criminals can profit from your naivety or your laziness, and it is too easy to become complacent."

Tom Young, Founder and CEO uDrew. WA Innovator of the Year 2018

> Business Risks and Costs of Cyber Attacks to Small Business in Western Australia

7000 \$ COST FOR EACH

4.7
MILLION \$ SAVINGS FROM
CYBER PROTECTION

150

MILLION \$ COST TO WA ECONOMY
ANNUALLY FROM CYBER ATTACKS

12% OF SMALL BUSINESS EXPERIENCE A CYBER EVENT

Just in the first year cyber savings could buy:



Busselton Saw Mill

producing furniture for national and international buyers (Walkin Walk-out) with significant inventory and machinery



Software for Horizon Power

to control 'Access and Identity Management' for all staff and contractors for 5 years across WA



62 Rooms 5-Star Freehold Motel

in Halls Creek & Freehold Apartment Complex in Carnarvon















We can. Together.



Every single day, CommBank are doing all sorts of things for all sorts of people. We're helping your businesses adapt to get you up and running online. We are over forty thousand team members, and we're doing these things from offices, living rooms, branches and call centres across Australia.

We're here to support you however we can.



Go to commbank.com.au/business







ASIAN ENGAGEMENT FEATURE

China not the only game in town

From page 18

particularly in an environment of capital flight.

"When I look at the COVID-19 [budget] deficit we'll be left with in Australia, foreign investment plays a large part of an economic recovery," he said.

Mr Handley said the Foreign Investment Review Board's recent hardened stance on incoming investment, which resulted in some deals not proceeding, was wrongly perceived by some in China as targeted towards their country.

"That has a cooling effect on potential investments." he said.

Squire Patton Boggs partner Chris Rosario said 2020 would be the year of diversification of foreign investment in WA

"The circumstances with China, increased scrutiny by FIRB ... the WA business community is looking at some of our other long-term partners," he said.

South Korea and Japan would be good potential sources of capital to tap, Mr Rosario said, with deals not necessarily on worse terms.

"It depends what you're looking for," Mr Rosario told *Business*News

"In the past five to 10 years, Chinese investors have had better bid prices.

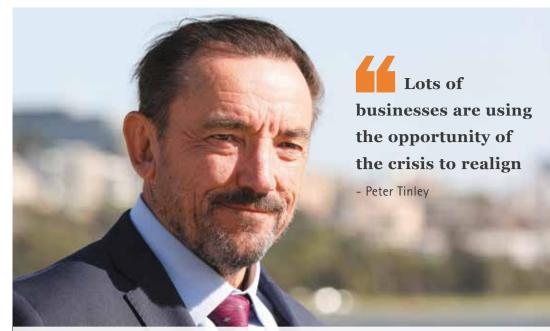
"But the Japanese, the [South] Koreans will invest in long-term, strategic stakes.

"When all that has been focused on is price, some of those Japanese and [South] Korean investors have struggled to match those prices."

Sentiment about the importance of price was shifting, he said.

Tony Chong, who is also a partner at Squire Patton Boggs, said Chinese investment inquiries had not stopped despite the challenges.

"They're fully aware there's a situation but it hasn't stopped them," Mr Chong said.



RESPONSIBILITY: Peter Tinley says the government is sticking to its strategy of finding new markets. **Photo: Gabriel Oliveira**

But he said there were additional hurdles to get through.

Looking more broadly than investment flows, Mr Chong supported the idea that India, and ASEAN countries such as Indonesia and the Philippines, should be priorities.

"We're not doing enough [with India]," Mr Chong said.

"We always see that country as a whole as a call centre; there's more to India than that."

Governments would need to take the lead in developing these relationships, he said.

An example was the WA government's 2017 sister-state deal with the Indian state of Andhra Pradesh

Mr Chong said it was important in Asian markets to build relationships rather than think transactionally.

"From the Asian side of it, the relationship is fundamental," he said.

"I'm yet to see one where the deal is done and it is successful without a relationship."



Towards Opportunity

Today, more than ever, Australian businesses need clever, connected and commercial legal support to navigate the increasingly volatile economic environment.

Whether you're looking to expand your domestic or international markets or are seeking new suppliers or products, we can help.

Through our 9 Asia Pacific offices and a global network that stretches across 20 countries you gain access to commercial advice, contacts and influence to help you navigate complex regulatory and political environments and unlock markets and opportunities across the region and around the world.

To find out how we can assist you with your domestic or international operations, please contact Tony Chong.

Tony Chong

Perth Managing Partner and Head of Asia Desk (AU) E tony.chong@squirepb.com





India could be the world's next great growth story, and Australia is acting to strengthen its relationship with the country of more than 1.3 billion people.

Matt Mckenzie

matthew.mckenzie@businessnews.com.au
@Matt_Mckenzie_

A SURGE in India's economic development could profoundly reshape the world's economy in the decades ahead, much as China's rise has done over the past 30 years.

Prior to the COVID-19 crisis, India's Prime Minister Narendra Modi was hoping to double his nation's GDP to \$US5 trillion by 2024.

Even if that ambitious target isn't met, India has consistently posted GDP growth numbers around 7 per cent for most of the past 20 years.

India will generate about 15 per cent of global GDP by 2050, at purchasing power parity, according to a report by PwC.

That's double its current share. These growth projections come

These growth projections come as Australia's government seeks to strengthen ties with India, amid increasing geopolitical tensions with China.

In early June, Mr Modi and Australian Prime Minister Scott Morrison held a virtual summit and signed a defence pact, while there has been previous discussion about an economic deal.

India's consul general in Perth, Dantu Charandasi, said the country's government was rolling out the red carpet to encourage foreign investment, and she hoped the relationship would be about more than trade.

"It is both ways," Ms Charandasi told *Business News*.

"India is working towards becoming part of the global supply chain.

"India is on a big step toward a growth-oriented future."

While China's population is ageing, a process that will reduce the size of its labour force, India is still relatively young.

The median age in India is about 28, according to Statista, meaning half the people in the country are below that age.

Ms Charandasi said 20 per cent of the world's working age population would be in India in five years.

Indian businesses were interested in opportunities to contract for the public sector, she said, particularly in information technology.

In the other direction, Ms Charandasi said there were educational institutions in Western Australia working on strategies to enter the Indian market.

India is the second largest source of international students for WA, according to a recent Study Perth report, and were worth about \$102 million to the local economy.

For WA's biggest export industry, resources, there was potential,

"WA can position itself as a strong supplier of commodities and mining equipment, technology and services," Ms Charandasi said

The supply chain for electric vehicles was one highlight.

Business News understands representatives of Indian government-backed business Khanij Bidesh India visited WA last year to inspect potential sources of critical minerals.

Perth-based Neometals group, which developed the Mt Marion lithium mine, signed a deal with Indian business Manikaran Power in 2019 to work on a potential lithium refinery in India.

Neometals chief executive Chris Reed told *Business News* the Indian government hoped to eliminate sales of internal combustion engine vehicles within a decade

Car makers in India were switching manufacturing lines to electric vehicles, and battery cell makers were working to ensure cathode production and other inputs would be located nearby, Mr Reed said.

He said the Indian government was also looking at capital subsidies for processing plants in the electric vehicle supply chain. Neometals plans to use its

offtake from the Mt Marion mine to develop downstream processing.

Mr Reed said there had been a large pool of businesses interested to work with Neometals on the project.

That was whittled down over time as prices fell last year, with those companies remaining largely interested for strategic purposes.

"When you develop those products, you want guys that are strategically aligned for the long term," he said.

Manufacturing success

A Welshpool-based business has turned traditional expectations of a relationship with India on their head, with its exports evaporative air-conditioners.

Airgroup Australia business development manager John

28
MEDIAN AGE IN INDIA

Doherty told *Business News* personal relationships and a brand presence in the country had provided a competitive edge.

"Where we shine is we back our product with personal visits," Mr Doherty said.

"They can buy Chinese products cheaper, but you'll never find a representative or salesperson [on the ground] trying to push the product."

He said he regularly visited India and worked with a trusted local distributor.

Evaporative air-conditioners were largely unknown in the Indian workplace, Mr Doherty said, and buyers in that market had different expectations to Australians.

India represented about 15 per cent of Airgroup's overseas sales, he said.





Exciting Opportunities in Innovative South Korea

The Korea-Australia Free Trade Agreement (KAFTA) provides a strong platform for trade relationships by creating new and exciting opportunities in services and investment. There has never been a better time to do business with South Korea.

South Korea is an economic and trade heavyweight. It is the world's 11th largest economy and the 6th largest exporter. South Korean corporations are leaders in research, development and innovation, and are deeply integrated into global value chains.

South Korea has ranked first on the Bloomberg Global Innovation Index from 2014-2019 for six years, reflecting its performance in science and technology, research and development spending, education and patents.

Western Australia and South Korea enjoy a long-standing and complementary trade relationship.

South Korea was WA's 4th largest market for merchandise exports in 2019, accounting for 6% of the State's merchandise exports. South Korea was WA's 3rd largest export market for iron ore in 2019, valued at \$5.9 billion. Iron ore accounted for 57.5% of the state's merchandise exports to South Korea in 2019, followed by confidential trade items (25.4%), wheat (4%) and petroleum (1.9%).

Western Australia was the 3rd largest major exporting trading partner to South Korea.

South Korean visitors to WA spent \$3,200 on average per visit in 2018–2019, the 5th highest among international visitors. Vehicles accounted for 41.4% (\$253.7 million) of WA's merchandise imports from South Korea in 2019. In 2020, the South Korean government will spend USD 3.9 billion of its 2020 budget on technologies to penetrate economic growth, focusing on big data platforms, AI, 5G network development and semiconductors, bio-health and "future car technology". This will result in significant higher demand for importing raw material from WA, and the potential for increased technology exchanges in these.

Given these trends, it is clear that science, technology and in innovation, and the services underpinning the new economy, will become key themes for the Western Australia-South Korea bilateral trade relationship.

The Australia Korea Business Council of Western Australia (AKBCWA) was established in 2010 and is dedicated to assisting Western Australian based enterprises, ranging from Corporations to SMEs to develop and maintain open and co-operative relations between businesses and organisations in Western Australia and South Korea.



AKBCWA facilitates significant Western Australia – South Korea related business events promoting cultural understanding and business development opportunities.

The AKBCWA provides its members with opportunities for social and business networking and facilitates the exchange of the latest information on economic, financial and commercial developments in South Korea and Western Australia.

In addition, the AKBCWA works closely with influential leaders within government (both at a state and federal level) and business communities in WA and South Korea to enrich relationships, promote understanding of opportunities and ultimately, further increase bilateral trade, investments, education, arts, sports and culture.

The AKBCWA membership is open to individuals and organisations that have a significant existing or potential interest in some aspect of Western Australia and South Korea trade or the development of the WA and South Korea business relationships. Membership of AKBCWA with its strong networking capabilities will be of benefit to companies wishing to participate in expanding bilateral trade opportunities.

AKBCWA Membership benefits include:

- A full calendar of AKBCWA and affiliated events including major conferences, regular networking events, keynote speeches and events. AKBCWA members enjoy most of these events free as part of their membership;
- Access to key stakeholders in Western Australia and South Korea field in a variety of industries;
- Opportunities to promote your brand and company at our events via sponsorship, providing speakers, hosting events, promotion of your upcoming events via our online portals, ability to contribute content to our website (www.akbcwa.org);
- Access to unique and specified industry information to assist in Western Australia and South Korea endeavours.



If you are interested in joining, please kindly visit our website **www.akbcwa.org**. Also, please feel free to contact Mr Tommy Shin, Executive Chairman of AKBCWA for further partnerships (**info@akbcwa.org** or telephone: **0418 910 596**)



A new trade deal with Indonesia is creating opportunities for industries as diverse as farming and cybersecurity.

Matt Mckenzie

matthew.mckenzie@businessnews.com.au @Matt_Mckenzie_

CYBERSECURITY business Red Piranha gained a rare foothold to enter a new market thanks to Australia's trade deal with Indonesia, according to non-executive director Richard Baker.

The Indonesia-Australia Comprehensive Economic Partnership Agreement was signed in March 2019 and comes into force next month.

Perth-based Red Piranha was invited to tender for a cyber-security contract with a major Indonesian government procurement agency in the months after the signing.

Previously, the company would have been competing against big German and American businesses, such as IBM, Mr Baker said.

The deal highlighted Australian businesses could produce more than just food and minerals, he said.

"Indonesia is not only Bali, and the gate swings both ways ... most of their exposure is resources companies," Mr Baker told *Busi*ness News.

Grain Industry Association of Western Australia chief executive

Larissa Taylor said the trade deal had the potential to take a developed relationship to the next level.

And it came as Australian growers faced increasing competition.

"We've gone from over \$1 billion wheat [exported annually] to Indonesia five years ago to probably a quarter of that," Ms Taylor

"Black Sea wheat from Ukraine and Russia is significantly cheaper, landed into flour mills in Indonesia.

"The quality of that grain has been improving ... the competitive pressure is significant.

"We've lost our pre-eminent position in the noodle market in Indonesia. I hope it's temporary."

Two key elements to the new partnership were expected to benefit farmers, she said.

As much as 500,000 tonnes annually of feed grain would be able to enter Indonesia from Australia tariff free from January next year, with 5 per cent volume growth in the years after, the Department of Foreign Affairs and Trade said.

The livestock feed component added to existing grain shipments used for food, especially noodles.

This aspect of the deal was expected be beneficial for barley growers, after the imposition by China of tariffs following the political fallout over suggestions for an inquiry into the origins of COVID-19, among other things.

However, the barley would be used for feed, rather than malting beer as with exports to China.

The second component of the trade deal was technical insight, with local industry experts to travel to Indonesia to train flour mill staff in processing Western Australian grain, Ms Taylor said.

She said Grain Trade Australia and the Australian Export Grains Innovation Centre had played key roles in securing the best outcomes from the agreement for the industry.

A range of other agricultural producers would also receive expanded access following the deal, according to DFAT.

Frozen beef and sheep meat tariffs would be eliminated over five years, while live cattle exports up to 575,000 head would be allowed duty free, the department said.

Business News understands Indonesia is being considered a potential growth market for seafood, which is largely shipped to China under existing arrangements.

500,000 tpa

WA shipped \$2.3 billion of merchandise exports to Indonesia in the 12 months to April 2020.

FROM JANUARY 2021

Look afresh

Australia Indonesia Business Council president Phil Turtle told Business News changes to investment rules through the trade deal would create opportunities, particularly in education, healthcare and aged care.

Previously, Australian universities and education institutions were unable to own a facility in Indonesia, he said, while they could now control up to 67 per cent.

While WA universities were yet to commit, Mr Turtle said Curtin University operated a campus in nearby Malaysia.

Melbourne-based RMIT has a campus in Vietnam, which was established in 2000.

Mr Turtle said international education had been one of the most disrupted sectors of the WA economy during COVID-19, with border controls and quarantine measures affecting student movements.

He said that might spark a rethink of how the sector engaged with Asian markets.

Mr Turtle said Indonesia was emerging as an alternative opportunity for many businesses, as Australia's relationship with China hit difficulties.

"We've encouraged businesses to diversify their markets for years," he said.

It was a natural risk mitigation to build relationships in other markets, Mr Turtle said, and businesses were now having a more active look.

"There's a flight [out of] China, Indonesia has been a beneficiary of that," he said.

"That's for the whole world, not just Australia.

"There's a lot of reasons businesses should look afresh at Indonesia."

Asian Business Councils

Helping Western Australian businesses to increase their trade and attract investment

Market intelligence

Business networks

Asia capability



Asia Business Council of Western Australia www.abcwa.org.au

Australia China Business Council www.acbc.com.au

Australia Indonesia Business Council (WA) www.aibc.com.au

Australia India Business Council WA Chapter www.aibc.org.au Australia Korea Business Council of Western Australia www.akbcwa.org

Australia Malaysia Business Chamber (WA) www.ambcwa.org.au

Australia Philippines Business Council www.apbc.org.au

Australia Thailand Business Chamber (WA) Inc. www.facebook.com/ATBCWA China Chamber of Commerce in Australia (WA Branch)

Hong Kong Australia
Business Association WA
www.hkaba-wa.com

Indonesia Institute
www.lndonesia-institute.org.au

Japan Chamber of Commerce and Industry in Perth www.wanihoniinkai.com

Singapore Chamber of Commerce (WA) www.sccwa.org.au Taiwanese Chamber of Commerce WA www.facebook.com/groups/TCCWA

Western Australia Singapore Business Connect

www.wasbc.org.au

Western Australian Chinese Chamber of Commerce www.waccc.com.au

Western Australia Vietnam Business Council www.wavbc.org.au

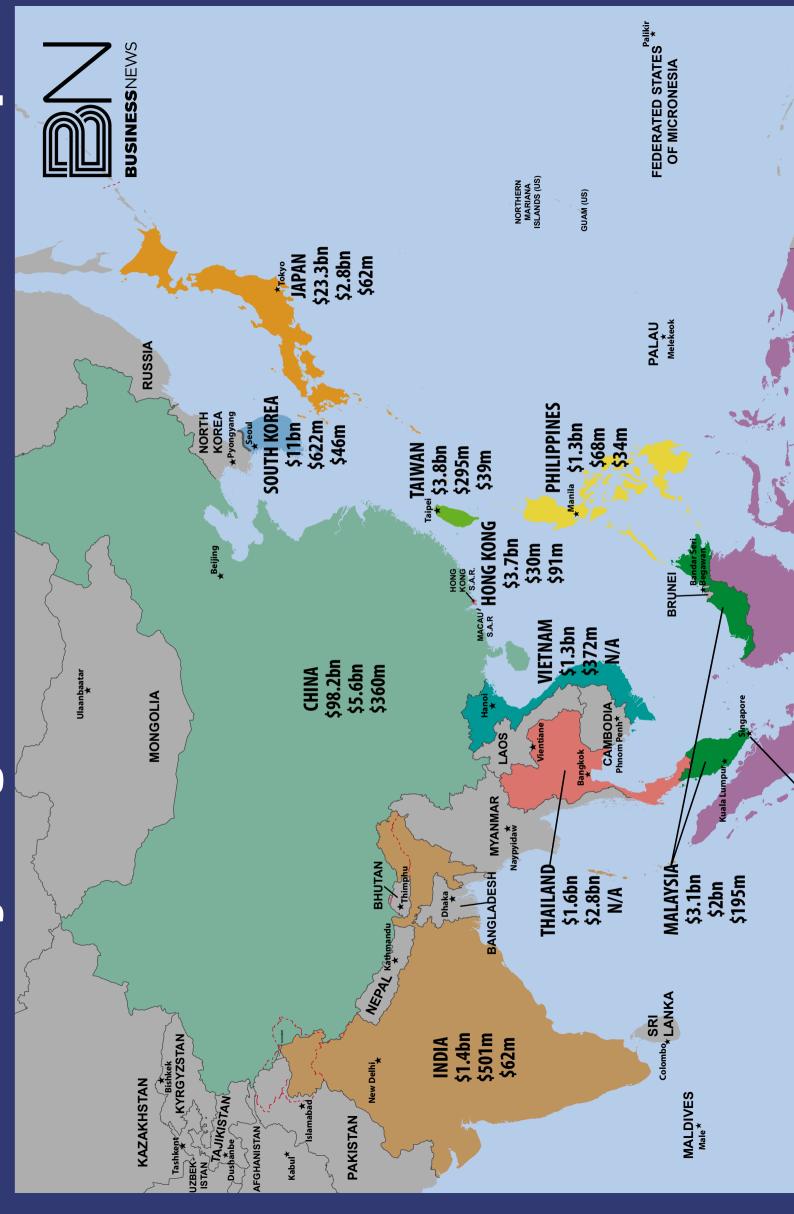
WA's Asian Business Councils are proudly supported by



Government of Western Australia
Department of Jobs, Tourism, Science and Innovation

www.jtsi.wa.gov.au

WA's Key Regional Trade Partnerships



LEGEND

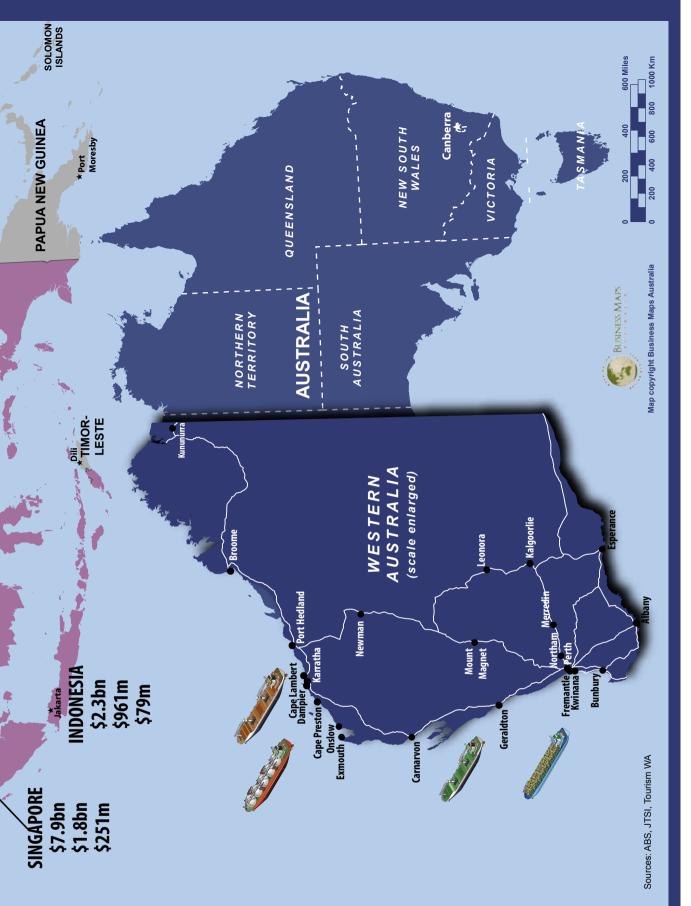
COUNTRY

\$ WA merchandise exports (12 months to April 2020)

\$ WA merchandise imports (12 months to April 2020)

\$ Visitor spend in WA (2019)

Regional Free Trade Agreements
COUNTRY DATE
Australia – Singapore2003
Australia – Thailand2005
Australia / NZ – ASEAN2010 – 2012
Australia – Malaysia2013
Australia – Korea2014
Australia – Japan2015
Australia – China2015
Australia – TPP-112018
Australia – Hong Kong2020
Australia – Indonesia2020



successful response to COVID-19 but on our long-held WA's future prosperity requires building not only on a foundation of international engagement.







Marketing of food and beverage products into Asia can be challenging, no matter how long a business has been operating.

Matt Mckenzie

matthew.mckenzie@businessnews.com.au @Matt_Mckenzie_

JAMES Ch'ng's first taste of Western Australian scallops convinced him the saltwater delicacy would be a hit in Asia, to the point he moved his family from Victoria to WA and, in 1983, established Far West Scallops.

Mr Ching's son, Simon, now sales and marketing manager, told *Business News* his father had built Far West's export business by going door to door in Singapore and Hong Kong.

Although he wasn't the first Australian to sell scallops into those locations, he was one of the first from WA.

However, having cracked parts of the Asian market, the past decade has brought major challenges for Far West Scallops, which is responding by sharpening its engagement in the region.

A marine heatwave in 2011 severely damaged a number of WA fisheries, including scallops.

"They almost called it an extinction event in the Abrolhos," Mr Ch'ng said.

"Our catch went from 300 to 400 tonnes per year to ... 30 tonnes."

Far West owns about 20 scallop fishing licences across Shark Bay and the Abrolhos Islands, with as much as 80 per cent of the company's catch shipped overseas.

In the years after that heatwave wipeout, prices went up significantly.

"And if they didn't, we wouldn't have been around," Mr Ch'ng said.

"If we didn't have buyers rusted on willing to pay high prices ... the industry would have died."

With the catch down, over time, consumers moved to other sources, including Queensland, and then away from Australia as east coast suppliers suffered their own problems.

And prices fell.

Mr Ch'ng said the business now planned to reconnect with consumers it had lost

"We still have a good reputation in Hong Kong and Singapore," he said.

"Scallops are particularly important in Hong Kong to have at weddings.

"People still remember scallops from Australia very fondly.

"If you can't eat them out, people are learning to cook them."

The Cantonese word for scallop, used in another context, could mean 'having sons', Mr Ch'ng said, so it was associated with family.

Far West was one of 14 companies awarded a combined \$120,000 in late 2019 through Access Asia Business grants to support expansion in the Asian market.

The grant was to attend the FHA Food and Beverage Asia Singapore Expo, which was originally to be held in early April, however those plans were delayed due to to the COVID-19 pandemic.

An exhibition two years ago in Hong Kong also generated opportunities, although political instability that has gripped the region had created issues to navigate, Mr Ch'ng told Business News.

"The scope of the business has changed," Mr Ch'ng said.

"We were a third of the WA scallop industry, and now we're about two thirds.

"We can do things we haven't done previously."

Far West's market share includes deals with supermarkets, such as Coles in Australia and City'super in Hong Kong.

Taiwan is one market the business is focused on targeting soon.

Scallops are particularly important in Hong Kong to have

at weddings - Simon Ch'ng

In terms of managing relationships in Asia, Mr Ch'ng said businesses should reinforce the work of those before them, but not cut corners, because that would hurt Australia's reputation.

"You don't want to just sell on price," he said.

"It's very hard for Australia to sell on price.

"We're an expensive place to do business.

"But we're recognised as a high-quality provider of food.

"[Businesses should] trade on the good name of Australian products, but make sure you live up to the reputation."

Growing vine

Trade Vine was founded by James Leonhardt and Jim Tiesdale in 2015.

The business started wholesaling Australian meat and seafood into Asia, but in mid-2019, the

offering was extended into direct-to-consumer wine and beer.

Mr Leonhardt told *Business News* they were inspired by overwhelming demand for premium Australian produce in South-East Asia, but recognised the market was underserved from an e-commerce perspective.

The new retail brand is Merchants of Oz.

It's a lean business model, with warehousing outsourced to a company in Singapore.

"It's all very much done on laptops and mobile phones," Mr Leonhardt said.

He said wine and beer were easier to sell directly to consumers than perishable products, such as seafood and meat, because those would require a physical presence on the ground to ensure quality.

Continued on page 30





Where do you see your future?

With the historic new Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA) about to burst onto the scene, there is no better time to take a look at the amazing opportunities on offer in Indonesia.

Across Western Australia, almost every industry stands to benefit from this landmark Agreement, including the very important Education, Food and Agribusiness, Tourism, Mining and METS, Energy, Infrastructure, Health and Aged Care, and Digital sectors.

As many businesses look for diversification in their markets, Indonesia sits on our doorstep as the largest economy in ASEAN, the world's 4th most populous country, and 3rd largest democracy. Its Economy ranks close to Australia's, with consistent growth that will see Indonesia climb higher amongst the G20 over the next decade.

Indonesia's investment ratings and ease of doing business rankings have been steadily climbing too, seeing international companies and investors beat a path to be involved in an exciting range of projects. Such projects include the construction of a brand-new capital city, planned for the province of East Kalimantan on the island of Borneo, which will embrace the latest in urban design, architecture, smart city technology, transportation, and green energy solutions.

WA shares a maritime border in the Indian Ocean with our nearest neighbour. and the same GMT+8 time zone with much of the country, so Indonesia makes a lot of sense. Jakarta is after all closer to Perth, than Perth is to Sydney.

In WA, the Australia Indonesia Business Council (AIBC) works alongside its Members and key stakeholders, including the WA Government, to help unlock business opportunities, and deliver economic growth and jobs for the whole community. Our Mission dovetails in with WA's Asian Engagement Strategy 2019-2030, which we are proud to support.

Modern Indonesia is far removed from what many might expect, so visit us now at aibc.com.au and join us as Members on this journey.

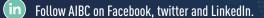
The Australia Indonesia Business Council, proudly supporting its Members for 30 years, with Chapters in every Australian State and Territory, and affiliates in over 5 major cities in Indonesia.

For more information, contact AIBC's Perth-based National President, Phil Turtle | E: president@aibc.com.au | M: +61 412 579 757.









FEATURE ASIAN ENGAGEMENT

Finding an avenue to market

From page 28

Trade Vine secured an Access Asia grant to develop a social media campaign for Merchants to boost WA craft beer sales in South-East Asia over Chinese New Year.

"This was all about turbocharging the direct-to-consumer business," Mr Leonhardt said.

The COVID-19 pandemic had led to a shift in consumer behaviour towards online shopping, but also brought big challenges, he said.

"Fortuitously ... we saw a shift in consumption from restaurants and bars to the home," Mr Leonhardt said.

"We were already making the pivot to e-commerce channels.

"But having said that, there have been incredible difficulties in getting air freight up to Singapore; it's just cost prohibitive.

"For a period of time there weren't any flights carrying freight.



CHEERS: Vasse Felix wines are on the menu for customers of Merchants of Oz. **Photo:** Attila Csaszar

"Airlines were running passenger planes empty... carrying cargo underneath, trying to recover the revenue loss from [lack of] passengers.

"That's thrown a spanner in the works."

While he remained cautious

about an uncertain recovery ahead, Mr Leonhardt said e-commerce would unlock new angles to enter Asian markets. "The one big shining light is the opportunity e-commerce presents," Mr Leonhardt told Business News.

"It gives producers another avenue or channel.

"It's going to be a long time before domestic demand recovers.

"Producers need as many channels and markets as they can find, at the moment."

Mapizy, Swan River Seaplanes, and West Cape Howe Wines were among the other businesses to receive Access Asia grants.

West Cape Howe's funding was for tours of the company's winemaking facility in Mount Barker, while Swan River Seaplanes hoped to develop a marketing strategy for Japanese luxury travellers, with direct flights from that country to Perth now operating.

While tourism enterprises received the most support, Mapizy's funding was to attend an exhibition in Singapore to showcase artificial intelligence mine monitoring and rehabilitation software.

Message from the Consul General of the Republic of Indonesia in Western Australia: Welcoming the Implementation of Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA)

It has been almost a year since the Western Australia government launched its inaugural Asian Engagement Strategy. It is admittedly a remarkable initiative and doubtlessly resonates with our mission at the Consulate General of the Republic of Indonesia in Perth in a broad effort of continuously enhancing friendly relationship between Western Australia and my beloved country Indonesia.

In the past two months, like many countries in the world, Indonesia and Australia have endured the most challenging time. As countries with open markets, both Indonesia and Australia have inevitably been affected by the COVID-19 pandemic and its wide and deep impact toward global supply chain. However, as the old saying goes, "the storm will pass". So will this one. While we face various degrees of challenges, I am pleased to witness both Indonesia and Australia have shown their strength and resilience through this situation.

In Indonesia, we have started to introduce measures to implement the "new normal", an effort to keep Indonesian economy running while maintaining restrictions to contain the spread of the COVID-19. Indonesia's economic growth is projected to remain positive toward the end of 2020 and its economy will gain a significant rebound in 2021, signaling our country's optimistic recovery.



Ms Dewi Gustina Tobing

Consul General of the Republic of Indonesia in Perth, WA

As for Western Australia, which ranks among the best, no doubt, is now expecting a jump on business confidence level amid successful pandemic handling. It is therefore a right momentum for us to rekindle what has been envisioned within Western Australian Asian Engagement Strategy with regard to Indonesia and Western Australia's relationship.

Western Australia is an important partner for Indonesia. Our cooperation across a range of sectors including trade, tourism, oil and gas, renewable energy, mineral resources, and agri-food has created a mutual dependence, where a robust economy has become our shared-vision. At its peak, the aggregate value reached AUD 3.3 billion in 2019.

Yet such number should not deceive us, for it is the ample room for its multiplication that actually matters. Indonesia is indeed at the 13th rank among Australia's trading partners, but it is definitely Australia's nearest, with 270 million population, unmatched by any other trading partners within and even beyond Southeast Asia.

It is therefore could not be timelier to mention that this opportunity is up for us to grab, and will even further flourish under the long-awaited Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA), which will enter into force on the 5th of July 2020. IA-CEPA will significantly reduce export tariffs for both countries, and pave a greater bilateral economic and investment cooperation, including in the information and communication technology, education, financial services, health, agriculture, mining, and energy sectors.

I call each and every one of you to seize this momentum. Do not let this opportunity slipped through our net. We look forward to assisting you to enhance the trade and investment between our two countries. Thank you.

Contact us at : economy@kjri-perth.org.au

Sponsored by
PERTAMINA

Indonesian State-owned Energy Company



ZERO Insecticide



ZERO Varroa mite disease

ZEROSugar in any form of use

ZERORemaining colonies

ZERO
Pesticide
residue

The only state that Varroa mite doesn't exist

The only state uses zero sugar in beekeeping

Whole year flowering in Western Australia

Research proven with medical properties

































Asian engagement special report

BNIQ SEARCH Asia

There are **4,536** results from our index of **103,271** articles, **10,342** companies and **39,526** people

Oil falls 3% as Gulf ends voluntary curbs

09 Jun 2020 by AAP

huge increase in Saudi (prices) will kill already struggling refiner margins in Asia." said Bob ...

Tariffs spark diversity push

03 Jun 2020 by Peter Kennedy

Peter Tinley says the government is seeking to broaden WA's involvement throughout Asia.

BGC reports \$107m loss for FY19

02 Jun 2020 by Katie McDonald

size in Perth over the last 12 to 18 months," he said. "We have always faced north to Asia when seeking ...

Major shift in law firm rankings

02 Jun 2020 by Mark Beyer

size in Perth over the last 12 to 18 months," he said. "We have always faced north to Asia when seeking ...

Project 90K sets out bold vision for Perth's CBD

12 Mar 2020 by Skyline

Sandra Brewer said. "With our proximity to Asia, our climate and stunning landscapes, our shared Asian ...

Numbers are hard to accept

14 Apr 2020 by Mark Pownall

was going to hit us, not stay limited to Asia. The upside from our current state of lockdown is we can \dots

The business of mindfulness

06 Mar 2020 by Kate Raynes-Goldie

a mindfulness workshop for the events industry at the Asia-Pacific Incentives and Meetings Event 2020. While she ...

New marketing campaigns to promote WA in Europe

06 Jan 2020 by Jordan Murray

Paul Papalia cited the success of marketing campaigns in South-East Asia as precedent for ..

From ocean to plate, it's favoured in Asia

19 Nov 2019 by Matt Mckenzie

Hard work, a lean supply chain and premium quality help make WA lobster a popular delicacy in China. ...

ClearVue targets Asia with Singapore move

02 Sep 2019 by Matt Birney

Smart building materials trailblazer, ClearVue Technologies, is advancing its global expansion plans with the establishment of a Singapore office and the signing of a collaboration agreement with CSME Power Systems. The company's new subsidiary, ClearVue A ...

Margaret River named top destination in Asia-Pacific

02 Jul 2019 by Business News

Asia-Pacific. Credit: Attila Csaszar. Business News News Tourism Lonely Planet has placed Margaret River ahead ... of Singapore, Fiji and Cambodia as its top destination in the Asia-Pacific region in 2019. The news ...

businessnews.com.au