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# Australian push into region faces logistics hurdle

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The share of Australian firms planning to increase their presence significantly in south-east Asia has almost doubled in the past two years, but companies have been holding back from the region on concern about corruption, ownership restrictions and lack of access to skilled labour.

A survey to be released today by the Australia-ASEAN Chamber of Commerce found about 87 per cent of firms plan to increase their trade and investment during the next five years in ASEAN's 10 member countries: Indonesia, Malaysia, Singapore, the Philippines, Thailand, Brunei, Myanmar, Laos, Cambodia and Vietnam. About 44 per cent plan to increase their presence "significantly", encouraged by the region's rising middle class, regional economic integration and improving infrastructure.

However, business leaders such as Australia Post's Christine Holgate and former Telstra chief David Thodey suggested this week that Australian companies were underplaying their hand in the region and risked losing out to competitors if they did not move soon.

"We can't be complacent," said Ms Holgate, who oversaw Blackmores' initial expansion into the region, at a conference in the lead-up to the ASEAN Australia summit in Sydney this weekend. This view is backed by research from ANZ that shows Australia's trade with ASEAN countries has remained stagnant as trade with China has expanded rapidly.

"While a static trade share could be considered a positive outcome considering the falling shares with Australia's traditional trading partners Europe, the United States and Japan, there is potential to more fully optimise the trading relationship," ANZ analysts said in a research note released this week.

"Especially considering the close proximity of ASEAN to Australia, and the fact that the total value of trade between Australia and ASEAN is 17 per cent below its FY 2011-12 peak of \$US95 billion."

There are some Australian companies investing substantial time and money in the region, such as Linfox, which began operating in Malaysia in 1992 and expanded its logistics operations and fleets of trucks across southeast Asia; Cochlear, which is building a training and experience centre in Indonesia; and vitamins maker Blackmores.

"Australia's future is in ASEAN," Dean Garvey, Blackmores deputy managing director for Asia and International, told an Asialink Business conference this month.

The company recently entered the Indonesian market through a local joint-venture partner and, according to Mr Garvey, has "gone from nothing to being in the top three in 18 months".

"Indonesia takes a lot of my time and focus. It is going to be our biggest market outside Australia and China within three years," he said of the joint venture's potential. "Blackmores only succeeds where Brand Australia succeeds."

While Mr Garvey noted significant challenges in the south-east Asian markets, including complicated regulatory systems, he said these were worth overcoming.

ASEAN is set to become the fourth largest market after the EU, US, and China by 2030, according to ANZ. The region's population is 650 million, and grows 7 million a year.

"ASEAN is the fifth-largest economy and with a consuming class that is set to double in size by 2030," said Fraser Thompson, president of AustCham ASEAN. "This year's survey demonstrates that Australian businesses are starting to realise the scale of potential opportunities that exist, and ASEAN is no longer the 'forgotten Asia'."

ANZ analysts identified Indonesia and the Philippines as countries where Australia's trade ties were lower than what might be expected.



Foreign Minister Julie Bishop with students at the ASEAN-Australia Youth Forum in Sydney yesterday. PHOTO: LOUISE KENNERLEY