

# Connect don't compete with a rising region



*Active involvement in the region – through investment, collaboration and training a new, skilled, global workforce – will see Australia rise alongside Asia, rather than compete with it.*

As former Prime Minister Julia Gillard said some years ago, “Whatever else this century brings, it will bring Asia’s rise.” It is hard to disagree and what is more, this rise will change Australia’s economy and society.

As a nation, the success of our relationships with our neighbours in the Asia Pacific has played a fundamental role in our ability to maintain prosperity through a tumultuous period of global change. We now face new challenges and must deepen and diversify these relationships in order to sustain this success.

Just as Telstra aspires to be a world-class technology company, Australia should aspire to be a world-class technology nation. That ambition must be built on maximising our participation in the enormous scale of technological innovation and consumption under way in countries like China, India and Indonesia, as well as a clear understanding of the changes this will unleash on both these countries and the wider world.

## A unique perspective of a changing Asia

Telstra has been operating in Asia for more than 50 years. What we see today are two transformative phenomena at play, creating a major force for change.

On the one hand, the rapid evolution of online and mobile technology is transforming the way we all work and live, nowhere more so than Asia. On the other, the emergence of a middle class of consumers in Asia, expected to continue its growth trajectory and double to more than 1.2 billion households by 2030, has made the region a global economic force.

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Pacific region. China alone is expected to add more than 250 million new mobile subscriptions over the next five years.

From Telstra's position as the operator of the largest submarine cable network in Asia, we can see that not only are there more devices being used, but people are using them more. Driven by social networking and video streaming, internet

data consumption increased globally by 70 per cent last year – and Asia represents the largest data-consuming region in the world.

A critical point when reviewing these remarkable growth figures is that Asian markets comprise more than just technology consumers. These countries are actively shaping the development of the technology ecosystem.

Last year, 90 per cent of new mobile device models came from Asian vendors, such as Samsung, Huawei, Xiaomi and Micromax. When it comes to the applications that operate on these devices, it is estimated around a third are developed in Asia. The region is increasingly the source of world-leading entrepreneurs.

China has emerged as the world's largest e-commerce market supplanting the United States, and innovation continues apace. The mobile payment products of Chinese technology giants Tencent (WeChat Wallet) and Alibaba (AliPay) have a much deeper penetration in China than Apple Pay's penetration in North America.

Despite this success, there remains enormous opportunity for continued growth. India is the second biggest internet market in the world with 277 million people connected, but that is only 25 per cent of the population. Similarly in Indonesia, less than half the population has access to the internet. As millions more people in Asia come online in the years ahead, we should expect them to produce hugely disruptive innovations using business models perhaps not even considered yet but are honed in their domestic markets.

## Australian innovation in Asia's century

As a nation, Australia has never been shy of innovation. From the Hills Hoist to the black box flight recorder and from Wi-Fi to Cochlear implants, our inventors, entrepreneurs and innovators have made a disproportionate impact on the world. It has to be the primary objective of everyone – from sole

traders to government – to maintain that reputation and continue to thrive in our new world.

The good news is that inventiveness is inherent in many Australian organisations. The latest data from the Australian Bureau of Statistics shows 45 per cent of all Australian businesses were innovation active in 2014-15, up from 37 per cent in 2006-07.

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on innovation and encouraging the technology sector in Australia. What these trends show is that this will only succeed if we look to our neighbours

in Asia, not just Silicon Valley, when making investment, collaboration and product decisions.

Australian organisations are very aware of these macro economic changes. Our Disruption, Digital Transformation and Effective Technology strategy report suggests that 73 per cent of organisations consider themselves to be exposed to digital disruption today and around four-in-ten firms believe they are more exposed to a competitive market now than two years ago.

Despite our country's economic growth, we have struggled to match that performance when it comes to national productivity. Innovation is a major driving force for productivity growth by spurring new processes and services that allow us to do more with less. It is a key opportunity we have as a nation to grow and thrive through connecting with Asia.

The former Minister for Industry, Innovation and Science, Greg Hunt put it well in a recent address: "Innovation matters because 45 per cent of our firms are involved in it. Innovation matters because it drives 60 per cent of our national productivity. Innovation matters because it gives us better medicines and safer cars. Innovation is therefore about new or improved goods or services, new processes or new business models.

"That is, it's all about turning ideas into commercial opportunities – to create jobs and better the quality of our lives. However, there are persistent weaknesses within Australia's innovation system, for example, in relation to collaboration between the industry, science and research sectors, and commercialisation of viable research."

Strengthening our technology capability is critical, but to succeed it will need to be achieved with an eye to Asia as a market and a source of innovation, capital and entrepreneurial leadership.

## Creating a policy backbone for a thriving Australia

The future is digital and that is not something Australia can opt out of. Our country needs a clear, long-term innovation vision that details how we are going to invest, develop associated skills, and support our comparative advantages in a global economy.

The rise of Asia and its impact on Australian competitiveness, productivity and economy has contributed to the current policy focus on technology and innovation. It is essential that we invest in our infrastructure, our capabilities and our education so that we as a nation are not left behind.

The implementation of a National Innovation and Science Agenda (NISA) is a step in the right

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direction. The Government has to have a serious, enduring plan for fostering innovation if we are to secure our future economic prosperity. Our country needs a clear long-term technology vision that details how we are going to invest and develop associated skills to support our comparative advantages in a globalised digital economy.

Delivering the innovation agenda and doing so with an explicit Asian focus is

a major undertaking, but we have identified a few areas on which to focus:

### One: Leading the ecosystem

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that, many more Australian companies, big and small, need to be actively involved in the Asia Pacific region's emerging technology ecosystem.

Those countries riding the highest on the digital wave are underpinned by strong and effective relationships between start-ups, universities,

research institutes, venture capitalists, established businesses and Government. This type of collaboration across private and public sectors is absolutely critical – investment, implementation and iterative improvement are required to back up the Government's promises in this area.

Through our early stage, pre-revenue incubator muru-D, Telstra has supported more than 30 selected start-ups in Australia with money, mentoring and a space to grow their ideas. In April last year, we launched muru-D in Singapore giving us the opportunity to connect with some of the region's best digital talent and be part of Southeast Asia's thriving entrepreneurial eco-system.

At the more mature end of the start-up spectrum, we are also investing in new technology business through our venture capital arm. Over the past year we have invested in four technology start-ups in Asia, including Chinese cloud services business Qiniu and C88, which owns and operates the largest e-commerce financial services sites in Indonesia and the Philippines. These investments not only give us access to new technology we can offer to our customers, but they expand our network of relationships in the region.

These sorts of collaborations with technology leaders in Asia will be critical as the region continues its internet and innovation boom. Unfortunately, we do not come across many other Australian companies doing this sort of work in Asia; the technology investment trail still usually leads to Silicon Valley rather than Australia's own backyard.

## Two: Investment in our people

It is absolutely essential that Australia invests to give this generation, and the next, the right types of skills. Investments in STEM – science, technology, engineering and mathematics – are essential to ensure we are building a solid foundation in these core skills across all levels of the curriculum.

It's also vital that our broader workforce, not just our IT specialists and millennials, become digital natives. That requires support extending across primary, secondary, tertiary and workforce education. It should be seen as an ongoing investment to develop the core and emerging skills Telstra, and Australia, will need for the future.

At Telstra we do this through a range of activities – from running university challenges and high school Hackathons to acting as the principal supporter of Code Club Australia, which is teaching primary school children how to write code. At a tertiary level, we are also investing in new technologies like quantum computing, next generation networks and healthcare technology.

For example, Telstra has partnered with the Commonwealth Bank of Australia and the Federal Government to help the development of silicon quantum computing technology in Australia. To do that we have invested \$10 million with the Centre for Quantum Computation and Communications Technology, headquartered at the University of New South Wales.

In this context, it is great to see Governmental acknowledgement that we must do more to encourage women not just to study STEM but to stay working in these important fields.

This investment in people also needs to include supporting connections and relationships between Australia and the countries of the Asian region.

Record numbers of international students now choose Australia as a place to study, with China and India sending the most students our way. This pool of highly skilled people with a connection to Australia, combined with communities of people already living in Australia with a family connection back to Asia, is a huge asset that we need to continue to invest in to ensure long-term relationships are built and maintained.

With physical barriers to communication and collaboration now virtually eliminated by modern telecommunications, the opportunities for direct engagement with vibrant markets and diverse communities in Asia have never been greater.

## Three: Removing barriers to Asian trade

Supporting exports of Australia's knowledge and technology will require a commitment from the

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Australian Government to tackling barriers to trade in services.

Australia has a proud history of advocating for opening up trade in goods, in particular agricultural commodities, but we now need a stronger focus on tackling behind-the-border trade barriers like licensing and regulatory processes in areas like technology services, telecommunications and IT.

This will require our trade negotiators to take a broad view of the diverse

ways economies interact with each other in the connected world, as well as a best practice approach to engaging industry and civil society representatives in relevant, highly technical parts of free trade negotiations.

## Conclusion

The rise of Asia is both a threat and an opportunity. Australia's strong relationships with our Asia Pacific neighbours means we are ideally placed to be part of the coming technology revolution. Active involvement in the region – through investment, collaboration and training a new, skilled, global workforce – will see Australia rise alongside Asia, rather than compete with it. By focusing on our strengths to foster ideas we can become a leader in the region.

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*Image courtesy of Ellis Cowan.*

