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# Belt and Road firms need to get engaged, says Aussie expert

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Australian businesses are "a bit arrogant and domestically focused" and "need to get more proactive and engaged" to climb on board China's Belt and Road Initiative, one of Australia's leading experts on BRI said in Beijing yesterday.

Jean Dong told *The Australian* that the first step was for firms to "explain convincingly in which areas they are globally competitive. China is a very hot market, in which everyone wants a piece of the cake."

China's key government agencies were "looking for new forms of collaboration with Australia" in BRI projects, including in services and knowledge industries, as well as in infrastructure.

Ms Dong, who is the executive director of the Australia China Belt and Road Initiative, this week addressed the Development Research Centre of China's State Council on Australia's potential BRI contributions.

Australian companies that wish to participate needed to engage with and understand three levels of Chinese management of BRI projects, she said: government agencies, which pinpoint the regions and the economic corridors which will receive priority; the policy banks such as Exim Bank and China Development Bank, which provide the debt financing; and the state-owned and private companies responsible for implementing the projects on the ground.

"Without connections with all three, a firm's engagement attempt will be unbalanced," she said.

Following the global financial crisis, the Chinese government has driven a massive, highly leveraged program of investment in domestic infrastructure, often funded on a "cost plus" basis. But the aim of most BRI projects is to earn a genuine return.

The ACBRI, which has a formal advisory role for the Victorian government, is conducting five briefings for business, in Sydney, Melbourne, Canberra, Brisbane and Perth from the end of May to August, and is taking a cluster of agriculture-focused companies to China in September to help them seek BRI opportunities.

Ms Dong said financial institutions including superannuation funds could identify investment opportunities in BRI since many projects would involve some equity alongside core debt funding.

She said that given the debt burden of policy banks, they would welcome the prospect of using modern financial structuring involving equity — helping manage the return and risk — as they move more heavily offshore via BRI.

While wishing the Australian government would agree a memorandum of understanding with China about the BRI, Ms Dong did not view Canberra's decision not to sign yet as a major problem for Australian businesses wishing to pursue BRI opportunities.

She hopes ACBRI — which is chaired by Malcolm Broomhead, chairman of Orica and a director of BHP Billiton — will talk with the government in the new financial year about Australia's BRI strategy.

Ms Dong said that without executives or directors on the ground in China, "it is hard to engage" sufficiently to be considered for participation in projects.

"It needs to be at the top level," she said.

Australia's competitors from Britain and New Zealand were highly active at last weekend's Belt and Road forum.

"Our companies have to work out when and where to take a position, or else be left behind. It's not enough just to be working in China — firms from the whole world are doing the same."

China is Australia's top trading partner, but the same applies to 120 other countries, she said. "Nor is it enough to have a clean, green brand — so do Chile and New Zealand."

She said that "because the BRI build is big, and the risk is high", it is not rational for small and medium companies to become involved at the front line, but rather via subcontracting, as parts of the supply chains.