

CHINA IN TOUCH



An ACBC Northern Territory Newsletter

January 31 2018, Issue 220 NT secretariat (08) 89270061

NT President's observations

Following the 2008 market collapse the United States, intentionally or not, unleashed a currency war. China survived, thrived, and arguably emerged stronger with a revamped financial system that moves inexorably towards full internationalization of the RMB.

Now President Trump is threatening a trade war with China. If such a war erupts then there will be substantial collateral damage, just as there was in the post-2008 currency war. In this war my humble Haier washing machine is potentially an early casualty, with the US already imposing higher tariffs on this and other selected items.

But surprisingly some of the major casualties may be on the US front and this has an impact for investors who favor US markets.

Over 20% of sales for companies like General Motors, Boeing and Apple now come from China. A record 17.6 million vehicles were sold in the United States in 2016 but that was far below the 24 million passenger cars sold in China. US car makers account for about 1 out of every 5 cars sold in China .

These sales are the fundamental underpinnings of success for much of corporate America. Any trade restrictions on Chinese access to the US, or tariff hikes, can be quickly met with formal and informal barriers to American companies selling in China.

Formal barriers are reciprocal hikes in tariffs and the imposition of new taxes and charges. Informal barriers come from a slowdown of administrative processing, the creation of new regulatory requirements and other bureaucratic irritants that throw sand into the gears of trade.

The fact is that China is one of the most important markets for many US multinational companies because it provides access to a surging middle class with increasing buying power. The American domestic consumer market is limited by a stagnant middle class and stagnant wages which means limited room for expansion of buying power

This gives China immense bargaining power and multiple attack options. A cancellation of orders for Boeing passenger planes would devastate Boeing, and boost the prospects of Airbus industries.

Trade wars based on protectionist tariffs have other unintended consequences. When the Japanese auto industry threatened the US auto giants in the mid-70s, the carmakers convinced a compliant Congress to impose substantial tariffs in an attempt to make Japanese cars too expensive. The Japanese responded by packing more features into their vehicles so the competition shifted from a price point to quality. Japanese innovation forced US carmakers to improve the quality, safety and durability of their cars so they could compete against the imports.

Tariffs achieved a result that consumer activist Ralph Nader had been unable to. Trade war tariffs stifle domestic innovation but encourage innovation in the foreign product.

I buy a Haier washing machine partly because of price, but mainly because of the features offered and the reliability – features that are not offered by their higher priced competitors. Protectionist trade wars belong to the last century when quality was less important than price. Modern investors look for the opportunities and avoid the collateral damage.

For many in NT business these opportunities will come from the One belt One Road policy initiatives. These include tourism growth from China and unexpected benefits from the China Australia Free Trade Agreement which provides access at a time when US competitors may find new barriers to their business operations.

Happy Chinese New Year. 新年快乐! Xin Nian Kuai Le!

Daryl Guppy,
President, NT Branch ,
Newsletter editor



Everything you need to know

July 10, 11, 12, 2018, Darwin NT

NOTE THE DATE CHANGE. KEEP THESE DATES FREE

We are developing a great line-up of speakers from China and Australia

SILK ROAD CHAMBERS OF INTERNATIONAL COMMERCE REPORT

In late December I attended the Silk Road International Chambers of Commerce meeting in Beijing as an ACBC representative. These are some of my observations relevant to ACBC NT members .

- 1) **Australia, and Australian businesses do not have a unique pitch, or claim, to business engagement with China.**

Claims of clean and green and safe are made by multiple countries and in this sense Australian business have no laurels to rest upon. A key message for our ACBC members in this area is the need to develop proof the clean/ green/safe as this will become the competitive advantage. This includes the application of block chain technologies to the product life development and logistics chain.

- 2) **Standardization of trade rules**

There is significant focus on the need for trade rule standardisation to standards that are not necessarily the same as the current structures. The current structures are seen as being conducive to behind the border barriers.

Chinas developing stance at WTO meetings, coupled with the evolving philosophy of the Belt and Road Initiatives (BRI) - New Silk Road - suggests that this approach is gaining more traction.

Our business members need to be aware of this momentum and the way it may impact on, or deflect the intentions of the ChAFTA agreement. The adoption, in full or in part, of alternative trade structures may impact on the competitiveness of Australian business.

- 3) **Shifting balance of trade**

China has always been a competitive environment for Australian products and services, particularly outside the resources and commodity sectors. Our faith in the opportunities seen in the growing Chinese middle class is not a unique proposition. Our service competitors see the same growth opportunities.

These shifts in the balance of trade were highlighted with particular advantage going to new entrants who do not have to overcome the legacy of previous trade arrangements or disagreements. It is clear that the active use of, and involvement in BRI structures is seen as a competitive advantage. Business and business organisations continue to aggressively frame proposals within this BRI Framework

For ACBC members this is a framework that cannot be ignored and which ought to be incorporated into ongoing and new business.

E-commerce structures

The domestic growth of e-commerce in China continues at an exponential rate and the penetration and usage is much greater than that seen in the US and Europe. The background system plumbing – the fin-tech – is the defining feature of the e-silk road. This is related to transaction protocols, settlement structures, the integration of block chain verification processes within an integrated environment that shares some, but not all of the characteristics of the non-Chinese e-commerce structures.

These are key differences that will inhibit the ability of non-integrated players to participate in this e-silk road.

It is essential that our ACBC members develop a better understanding of these protocols so they can be incorporated into e-silk road structures that reach beyond the simple transactional platforms of Alibaba and JD mall. To put this into context. A few months ago China blocked access to What's App. This immediately invalidated an entire cybercommunity. Imagine the consequences if non-integrated trade processes were blocked from the e-silk road. The time taken to catch-up would surrender both market share and competitive advantages.

4) FX and trade settlement

The managing director of the Silk Road Fund foreshadowed the development of more FX tools to enable better RMB trade and settlement. This includes the diversification of investment currencies. The Silk Road Fund is currently second in size to the international Asian Infrastructure Investment Bank (AIIB), but the Silk Road Fund is a domestic structure not bound by the operational procedures of the AIIB.

The ACBC members involved in funding options for large scale projects, infrastructure development etc the Silk Road Fund provides an alternative pathway for investment funds.

SUMMARY

The signing of ChAFTA provides opportunities for Australian business but it has invited a complacency. Participation in SRCIC underlines the changing nature of the competitive environment engendered by Belt and Road Initiatives. The dismissal of BRI as a physical Infrastructure strategy reflects a poor understanding of the developing BRI policies and the reaction of other competitor markets to BRI.

From Daryl Guppy

China Culture and language notes – CHINESE NEW YEAR – YEAR OF THE EARTH DOG



The Chinese New Year of 2018 falls on February 16th (Friday), and the festival will last to March 2nd, about 15 days in total.

As an official public holiday, Chinese people can get seven days' absence from work, from February 15th to 21st.

People born in the Year of the Dog possess the best traits of human nature. They are honest, friendly, faithful, loyal, smart, straightforward, venerable and have a strong sense of responsibility. On the negative side, they are likely to be self-righteous, cold, terribly stubborn, slippery, critical of others and not good at social activities.

Strengths

Valiant, loyal, responsible, clever, courageous, lively

Weaknesses

Sensitive, conservative, stubborn, emotional

A Dog's most defining characteristic is their loyalty. They will never abandon their friends, family or work.

Honest and just, they are popular in social circles. Everyone needs a Dog friend for advice and help. They

are also good at helping others find and fix their bad habits.

Despite how they act, they are worried and anxious inside. However, they will not let this stop them. Once they decide on something, no one can persuade them against it.

Chinese New Year or Spring Festival 春节 or Chun Jié, or the Lunar New Year 农历新年 Nónglì xīnnián, is the most important of the traditional Chinese holidays. The festival traditionally begins on the first day of the first lunar month in the Chinese calendar and ends on the 15th; this day is called the Lantern festival 元宵节 yuánxiāojié.

Chinese New Year's Eve is known as Chùxī (除夕). Chu literally means "change" and xi means "Eve".

Happy New Year

Xin Nian Kuai Le 新年快乐. This is a contemporary greeting reflective of western influences, it literally translates from the greeting "Happy new year" more common in the west. But in northern parts of China, traditionally people say simplified Chinese: 过年好; Guo Nian Hao instead of Xin Nian Kuai Le to differentiate it from the international new year.

Gong Xi Fa Cai 恭喜发财 is the same as Cantonese: Gung hei faat choi or Hakka: Kung hei fat choi, which loosely translates to "Congratulations and be prosperous". This is often mistakenly assumed to be synonymous with "Happy new year", but its usage dates back several centuries. While the first two words of this phrase had a much longer historical significance the last two words were added later as ideas of capitalism and consumerism became more significant in Chinese societies around the world.

The saying is now commonly heard in English speaking communities for greetings during Chinese New Year in parts of the world where there is a sizable Chinese-speaking community, including overseas Chinese communities that have been resident for several generations, relatively recent immigrants from Greater China, and students.

Red Packets



Red envelopes 红包 (Hong Bao) are often presented at social and family gatherings such as Chinese weddings or on holidays such as Chinese New Year. The red colour of the envelope symbolizes good luck.

The money amount contained usually begins with an even digit, as odd numbered money gifts are associated with funerals. During Chinese New Year, red envelopes are typically given to the unmarried by the married, regardless of age.

There are no clear literary sources from which to date the origin of the red envelope tradition. In China,

during the Qing Dynasty, elders would tie coins together with red string. These were called yāsui qián meaning "pressed money", and were believed to protect the elderly from sickness and death. The yāsui qián were replaced by red envelopes when printing presses became more common after the establishment of the Republic of China in 1911.

Hong Bao.

The literal translation is Red Packet, but Hong Bao 红包 has taken on a slightly different meaning. It is often used to describe an annual bonus paid to employees. This is a 13th month of pay for the year. The size of hong bao is important. It gives face and is a reward for effort during the year. The Spring Festival period has increasingly become a period where staff change jobs. A small or inappropriate Hong Bao may be enough to encourage staff to leave. Many employers wait anxiously after Spring Festival to see if all their staff will return. If you have employees in China it is important to carefully consider how you will handle Hong Bao.

First day of the new year

The first day is for the welcoming of the deities of the heavens and earth. Many people, especially Buddhists, abstain from meat consumption on the first day because it is believed that this will ensure longevity for them. Some consider lighting fires and using knives to be bad luck on New Year's Day, so all food to be consumed is cooked the day before.

Most importantly, the first day of Chinese New Year is a time when families visit the oldest and most senior members of their extended family, usually their parents, grandparents or great-grandparents.

Some families may invite a lion dance troupe as a symbolic ritual to usher in the Lunar New Year as well as to evict bad spirits from the premises. People also give red packets containing cash to junior members of the family, mostly children.

While fireworks and firecrackers are traditionally very popular, some regions have banned them. As a substitute, large-scale fireworks have been hosted by governments. Often the noise of firecrackers is replaced with the noise of balloons being popped.

Second day of the new year

Incense is burned at the graves of ancestors as part of the offering and prayer ritual. The second day of the Chinese New Year is for married daughters to visit their birth parents. Traditionally, daughters who have been married may not have the opportunity to visit their birth families frequently. On the second day, the Chinese pray to their ancestors as well as to all the gods. They are extra kind to dogs and feed them well as it is believed that the second day is the birthday of all dogs.

Third and fourth days of the new year

The third and fourth day of the Chinese New Year are generally accepted as inappropriate days to visit relatives and friends due to the following schools of thought. People may subscribe to one or both thoughts.

- 1) It is known as "chì kǒu" 赤口, meaning that it is easy to get into arguments.
- 2) Families who had an immediate kin deceased in the past 3 years will not go house-visiting as a form of respect to the dead. The third day of the New Year is allocated to grave-visiting instead. Some people conclude it is inauspicious to do any house visiting at all.

Fifth day of the new year

In northern China, people eat Jiǎozi 饺子 (dumplings) in the morning of the fifth day. This is also the birthday of the Chinese god of wealth. In Taiwan, businesses traditionally re-open on this day, accompanied by firecrackers.

Chunlian

大地回春

冬
去
山
明
水
秀

In Chinese poetry, a duilian is a pair of poems, pasted on the sides of doors leading to people's homes. The two poems correspond in their length and some properties of each character, such as meaning and tone.

Chunlian is a special type of Duilian, or couplet. It is used only during the Chinese New Year as part of its celebration. While duilian is permanent, chunlian is a temporary decoration to be placed on the entrance of the house, similar to Christmas decorations.

The ideal is to have few words but deep meaning. For this reason, they have one character per word as in Classical Chinese.

Originating during the Five Dynasties, flourishing during the Ming and Qing dynasties, duilian have a history of more than a thousand years.

The chunlian on the top, left and right side of the newsletter read;

Da di hui chun
Dong qu shan ming shui xiu
Chun lai yu hua xiang

This translates as:
The whole earth returns to spring
Winter is gone, mountain is clear, water is flowing and graceful
Spring comes, the birds sing, the flowers are fragrant

春
來
鳥
語
花
香

Happy New year!

Xin nian kuai le

新年快乐!

Wishing Prosperity and Success

Gong Xi Fa Cai

恭喜发财!

This gift is for you

Zhe ge li wu shi song gei ni

这个礼物是送给你

Thank you very much

Fei chang gan xie

非常感谢

Compiled by Daryl Guppy from multiple sources

Doing Business and Investing in China - Confucius Institute

The monthly Chinese Corner provides an opportunity to practice Chinese with native speakers, meet new friends and discover more about Chinese culture. Each event is focused around a theme relating to Chinese culture or traditional festivals or any hot spot.

Theme this month: Doing Business and Investing in China

Date: 09 February 2018, 5.30pm-6.30pm

Location: Confucius Institute Meeting Room, Room 4.24, Level 4, Orange 2, Casuarina Campus

Presenter: Ms. Niki Chen, Chinese lecturer of the Confucius Institute at CDU

Ms Niki will focus on 5 points: China's Economy Environment, Market entry and growth, Top opportunities in China, Key Concerns, Risk Management.



NT ACBC Branch Meeting Dates – February 7, 2018

Deloitte, 11/24 Mitchel street. 8.30 am to 9 am

NOTE NEW MEETING TIMES

Meeting venue is kindly provided by Deloitte NT.

Meetings are open to all members of the ACBC, not just the committee members. Most matters discussed at the meeting are passed by general agreement. All members are encouraged to contribute ideas to the discussions.

Current proposed meeting dates are:

TBA

2017-2018 NT ACBC Executive

Daryl Guppy - Guppytraders.com (**President / National Board Member**) China@guppytraders.com

Kelvin Keung – Homebuild NT (**Vice President**) kelvin@homebuildnt.com.au

Willem Westra Van Holthe – Primary Consulting International (**Vice President**)

willem.westra@bigpond.com

Fiona Liu – Synergy admin@synergy-migration.com.au

Wei Dong - AUSTRALIA ASIA INTERNATIONAL CONSULTANTS

will@aainternationalconsultants.com.au

Joseph Aladin - Deloitte Touche Tohmatsu jaladin@deloitte.com.au

Lisa Goodhand –Wildman Wilderness Resort lisa@chinablueprint.Com.au

Annie Zhu – SmartMate annient@qq.com

Xian Li – Dept of Resources Xian.Li@nt.gov.au

Martin Kelly – Finlaysons Martin.Kelly@finlaysons.com.au

Ex-Officio members

Wayne Fan – Department of Business

Cecila Brennan - Dept. of Foreign Affairs and Trade

Austrade - Martin Ferreyra

NT Tourism – Daryl Hudson

Lisa O'Donoghue – South Australia Liaison

PROPOSED NT BRANCH CHINA BUSINESS BRIEFINGS 2018

The Business Briefings will start again in 2018 and be provided free of charge for members only. Visitors are welcome to attend, but a small \$20 fee is payable. (Free if you join ACBC at the briefing) . Briefings run for about 60 minutes. Business Briefing sponsorship options are also available.

For more information, or requests for specific briefing topics, please contact ACBC Secretariat on 89270061 or acbcnt@acbc.com.au

GOT A CHINA STORY TO TELL? READ A GOOD CHINA BOOK - SEND US YOUR NEWS OR VIEWS

You are a valued member of the Australia China Business Council and we are keen to receive news on your business activities that we can published on our national website or in our NT newsletters. Do you have an amusing, or interesting or cautionary tale. Drop us a note for the newsletter. Send us a email at acbcnt@acbc.com.au

ACBC NT OBJECTIVES

We aim for these services for ACBC NT members:

- To assist members to understand the nature of the business environment in China and where relevant opportunities lie.
- To raise the profile of ACBC NT members within the NT and Chinese business environment
- To share information regarding industry issues in the China market.
- To assist in generating business between member businesses.
- To facilitate co-operation with the China Council for the Promotion of International Trade in relation to business issues.
- To present the views of NT SMEs operating in China to government authorities and other business groups where appropriate.
- To share market and economic intelligence and insights on critical industry issues.
- To create and maintain a collaborative community of business owners that can draw on each other for support in their engagement with China.
- To work in a collaborative community of Chinese business, cultural and friendship organisations to expand the networking capacity of NT members.

These objectives are achieved with networking events, workshops, conferences, briefing, newsletter communication and participation in creation of NT and national Government strategies.

ACBC NT WELCOMES NEW AND CONTINUING MEMBERS

Nidus Innovation and Enterprise Pty Ltd Gloria Chang
gloria.chang@nidus-aus.com

Have your member business profile included in the newsletter. Send details to acbcnt@acbc.com.au

China News reports that did not make it into the local media.

Qualcomm agrees \$2 billion sales deal with top Chinese smartphone companies

Qualcomm Technologies Inc. has strengthened business ties with Lenovo, Oppo, Vivo, and Xiaomi, signing memorandums of understanding for sales of at least \$2 billion over the next three years, Reuters reports.

The agreement remains non-binding and is due to undergo further amendments and discussions relating to RF Front-End components, Qualcomm said in a statement.

The move will assist Qualcomm in resisting an unsolicited buyout bid of \$103 billion from industry leader Broadcom Ltd, which Qualcomm claims is an undervaluation. At the event in Beijing where the deal was announced, representatives of the Chinese companies said that an acquisition of Qualcomm by Broadcom could negatively affect investment in chip-technology.

China' s largest electric-car manufacturer to go public

Beijing Electric Vehicle Co. (BJEV) is due to be listed on the Shanghai Stock Exchange following a massive \$4.5 billion deal with industry giant BAIC Motor Corp, reports Bloomberg.

BAIC will use their public affiliate Chengdu Qian Feng Electronics to buy out BJEV in an asset swap deal, which will be the first state-backed clean-energy vehicle company to list on a mainland stock exchange.

The offering will give investors access to the leader of the world' s largest market for clean-energy vehicles. In 2017, BJEV sold 103,199 cars, and raised its market share to 23% from 15% in 2016. Issuing shares will allow BJEV to raise funds for future expansion, a move being emulated by other state-backed manufacturing companies as Beijing plans to continue its transition towards cleaner-energy in China.

Explosion of jobs and wages in Chinas tech industry

China's tech industry has experienced another recent surge, reports Reuters, with record-levels of capital reaching innovative companies in fields such as cybersecurity and artificial intelligence. Such investment is encouraged by the government, who wants to accelerate China' s path to global tech dominance.

Whilst Chinese tech corporations may still not be household names in the West, they comprise an expansive and dynamic industry. Companies such as Alibaba and Tencent are now worth more than a trillion dollars combined, and look to extend their growth with massive job creation and wage growth.

The tech industry in China is certainly an attractive destination for young talent. Graduates working in AI can expect salaries of up to 600,000 yuan (\$94,000) according to site 100offer.com, with considerable promise for progression.

According to Thomas Liang, a former executive at Baidu, startups in sectors like AI will often groom potential employees with 50-100% pay raises to keep them from straying to established firms. "Companies are well-funded and are in serious competition for talent", he added.

For more China business news and information, visit www.chinaeconomicreview.com

AUSTRALIA CHINA FRIENDSHIP SOCIETY

The Darwin branch of the ACFS is a co-operative partner with ACBC NT. ACBC NT members are encouraged to attend ACFS events.

ACFS has completed their first News Letter, a website and facebook. The web address is: www.acfsnt.org.au The facebook address is <https://www.facebook.com/acfs.nt>

UPDATED CHINA RESOURCES FOR NT MEMBERS

ACBC NT has an updated list of China resources available for NT members. This includes translators, interpreters, graphic artists and design teams. Some are based in Darwin and some in China. Please contact ACBC Secretariat on 89270061 or abcnt@acbc.com.au for details



FORWARD THE NEWSLETTER TO A FRIEND
NEWSLETTER CONTRIBUTIONS ARE WELCOME. Keep other members informed about China experiences. Please email notes or comments to china@guppytraders.com. Please use email header ACBC NOTE. Information received up to the day prior to publication will be included.

NOTE. The views of contributors are their own and do not necessarily reflect the views of the ACBC NT or the ACBC. Content is copyright and cannot be used without permission



Australia China Business Council
澳大利亚中国工商业委员会

Northern Territory

MEMBERSHIP APPLICATION

Please complete this Membership Form with your details if you are applying to join the Australia China Business Council for the first time.

BASIC DETAILS

Company Name	
Company name in Chinese	
Industry sector	
Branch membership	NT Branch
Member Type - This is based on the annual turnover (See page 2 for details).	
Company email address	
Company web site http://	
Date of application	

PERSONAL DETAILS

Title	
First name	
Last name	
Job title	
Personal email address	

CONTACT DETAILS

Company phone	
Company fax	
Direct phone	
Direct fax	
Mobile phone	

LOCATION DETAILS

Street address	
City	
State	Northern Territory
Post code	
Postal address	
Please cross out if you do not want your contact details to be given to third parties who issue event invitations to ACBC members	I agree to be included in all associated ACBC and appropriate third party event notifications
Country	Australia

PAYMENT METHOD

Cheque	Please post to: GPO Box 2769, Darwin NT 0801
Cash Deposit	ANZ Darwin, BSB: 015901, A/C: 487 379 699
Credit Card	Card type / VISA / Mastercard
Card number	
Name on card	
Expiry date	CCV#
Amount paid (See member type)	\$

PLEASE RETURN COMPLETED FORM TO ACBC NT GPO BOX 2769, Darwin NT 0801Or Email: abcnt@abc.com.au

Membership	TOTAL
NT Government Departments	1024.87
Companies	
Annual turnover:	
More than \$ 50 million *	3492.50
\$ 15 million to \$ 50 million	1831.50
\$ 5 million to \$ 15 million	1024.87
Less than \$ 5 million	532.40
Individual membership	532.40
Associate membership ** (non-voting)	169.40
Student member (non-voting)	88.00