

CHINA IN TOUCH



An ACBC Northern Territory Newsletter

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NT secretariat (08) 89270061, GPO BOX 2769, Darwin NT 0801

NT President's observations

Extraterritoriality – is a difficult word to pronounce, but it has huge implications in China because its central to the concept of humiliation by foreign powers in the 19th century. It meant that people living in the foreign concession areas like Shanghai, Tianjin and Guangzhou were not subject to Chinese law. It meant that foreigners, such as missionaries, operating outside of the concession areas were also not subject to Chinese law. It's a little like the concept of diplomatic immunity, but extended to all Europeans in China. The reverse side of this concept meant that Chinese were subjected to foreign law when it suited the foreigners.

It was among the worst aspects of imperialism.

Now its back.

The arrest of the Huawei CFO Meng Wanzhou in Canada at the behest of the United States on allegations that Huawei, in its international activities, broke American laws is a modern example of extraterritoriality. There is no allegation that Huawei broke any US laws in its US operations. It is an example of one country claiming that its laws apply to all countries, and in this case, enforcing compliance with US laws even though the alleged activity did not take place in the United States.

Australians are not compelled to follow US laws whilst they are in Australia. If they are operating a business in the US, or Singapore, or France or China, then they must follow local laws. However, those local laws do not, and should not extend beyond the borders of individual countries.

Like many European companies, Huawei engaged in trade with Iran in compliance with UN resolutions but we see no similar third party arrests of European company executives. This arrest is clearly aimed at China and part of Trumps ongoing trade war. It has however touched a deep historical nerve in China.

Extraterritoriality is the reason Facebook and others believe they do not have to comply with local laws in relation to tax and to content. Last week in New Zealand Facebook 'pushed' the name of an alleged killer to all its New Zealand users in defiance of a court ordered suppression of the name whilst the trial was in progress. Extraterritoriality is the reason social media in Australia is filled with US-style hate speech because, despite breaching Australian law, this breaks no US laws.

In Australia and New Zealand, these issues of extraterritoriality are irritants. In China these issues hark back to a dark period in Chinese history and the reaction may be extreme. This is of concern for Australia because any increase in trade tensions has a significant impact on our economic prosperity.

More than 30% of Australia's economic activity depends on trade with China. With the US its less than 15%. Other than Laos, Myanmar and Cambodia, Australia, of all the countries in our region, is the most trade dependent on China. Just how Australia will react when the US request that we arrest a Chinese citizen visiting Australia on business or holidays is a critical question. We have a history of refusing Chinese requests for extradition of Chinese citizens so our response to any US request for detention of a Chinese citizen for extradition to the US will be closely watched.

Australia is about to enter a traditional long Christmas break where little attention is paid to anything other than Christmas lunch, the beach and summer sport. The rest of the world does not enjoy this luxury. This year Australia will need to be on its toes as this US led trade war rapidly spirals.

We wish all ACBC members and friends a safe and merry Christmas. The next newsletter will be on 16 January.

Daryl Guppy,
President,
NT Branch,
Newsletter editor

ACBC NT NETWORKING DINNER 2018

It was a great night out at the 2018 ACBC end of year Christmas dinner at Rendezvous on Friday night. It was good to see so many of our members come out to share good times, laughs and the achievements of the ACBC for 2018. Hosted by NT ACBC vice president Willem Westra Van Holthe, key members of the board and staff were thanked for their service throughout the year and he gave a run down of our achievements. He also acknowledged the ongoing support from Deloitte and from the NT Government.



In 2018 the key event was Belt and Road conference in July. It helped to;

- Accelerate and improve the NT engagement with China and Chinese investors
- Put the NT on important parts of the map in China and this will bring increased investment and business opportunities
- Dramatically improved the NT relationship with powerful Government bodies in China, including CCPIT, and CIOCC and these link the NT into business and investors
- Helped to reshape the discussion about the Belt and Road Initiative nationally
- Contributed to the change in approach to China in late 2018.



In 2018 the NT ACBC held or were involved in 14 events in Darwin during the year including briefings, workshops, conferences and networking. It showed the benefit of being an NT ACBC member, the doors it opens and the people you meet.

ACBC NT President Daryl Guppy was unable to attend this year as he was away in Beijing speaking at a China Academy of Social Sciences symposium. NT and business engagement has been broadened with the ACBC NT President travelling 10 times to China in 2018. This helps position the NT and provides essential background for better business and investment decisions that assist NT businesses.



The food was fantastic. A whole fried fish, Cantonese style roast duck, roast spiced leg of lamb and much more. More than any of use were able to eat. There was plenty of laughter and good cheer and I look forward to working with everyone at the NT ACBC in 2019.

From Alexander O'Malley



2018

SPECIAL BRIEFING REPORT STANDING ON THE EDGE 2019 Global trade outlook and the NT

How will "business as usual" change in 2019?

What are the threats? Why do they matter and how can we respond? What do tariffs, trade wars, supply chain disruptions and the New Silk Road mean for NT business and investment?

ACBC NT President Daryl Guppy provided a briefing overview that covered 5 areas.

1. Trumps' tariffs- Leading to US economic slowdown
2. Trumps' trade war – Destroys trade order and harms Australia's export markets
3. Supply chain disruption – Closes or slows market access
4. Belt and Road – Opens new markets with new conditions
5. Chinese innovation – Which standards will prevail in our export markets?



“There is a grave danger for Australia, because most of Asia will take the Huawei system and benefit from close communications with the China trading network enhanced by China’s Belt and Road Initiative, which we ignored. (This is a) risk to our exporters to China and Asia because our rivals in Africa, parts of South America ... will embrace the Chinese system and inevitably take market share from Australia.” Robert Gottlieb, *Weekend Australian*.

Using information gathered from his recent work and presentations at ASEAN, APEC and SRCIC conferences in China, and in company briefings in Singapore, he explained how these changes can impact the Northern Territory and business.

He left no doubt that at the end of 2018 we are standing on the edge of some very significant changes to the economic and trade landscape in 2019.

Thank you to Deloitte for use of the conference room.

From Alexander O’Malley

CYBER THREATS

Recently in Singapore I had the opportunity to talk with a senior operational executive in the Singapore office of one of the leading global cyber-security firms. They provide cyber-protection to corporations, business and Government departments in Asia, the UK and Europe.

She observed that the vast majority of hacking and cyber break-in attempts originated from the United States. Russia and states in the old parts of the Soviet Union were the next largest source. Over the past 12 months China sits in third place.

She noted that the US was most active in commercial hacking – stealing commercial secrets from European, Asian, and Australian businesses. Russia was more criminally targeted. If you have your credit card details hacked, its most likely to be from a Russian source. Chinese hacking was also chasing commercial and business information.

Targets of military significance were routinely hacked by all of these players but she saw this just as a logical extension of spy flights and satellite surveillance. She pointed to the Wikileaks as evidence that even allies hack into each-others systems.

All computer systems are a target – for espionage, for commercial advantage, or for criminal intent. The idea that China and Russia are the only ones involved in this activity is false.

As with many other people in the industry, she was horrified at the proposed Australian legislation that would create a compulsory ‘back-door’ access point. She noted this significantly reduced system security for every user and would make Australia a target for hackers attempts to access US systems because the Australian legislation would create a security weak point.

Earlier this year Huawei was banned from providing equipment for the 5G network in Australia. "The biggest concern is, whether they(Huawei) want to do it or not, they can be compelled by the Chinese Communist Party to spy and conduct espionage on the Chinese Communist Party's behalf," Fergus Hanson from the Australian Strategic Policy Institute told the ABC's PM program.

Under the new Australian laws, security agencies have greater powers to get at the encrypted messages of criminal suspects — in some cases they can demand companies build new capabilities to allow them access. The encryption legislation that was recently passed now puts the same obligations in Australian and foreign Telcos and software developers.

To rephrase Fergus Hanson "The biggest concern is, whether they want to do it or not, they can be compelled by the **Australian Government** to spy and conduct espionage on the **Australian Government agency** behalf," (our italics). The Australian technology industry argued the bill's technical capability notices (TCNs) would undermine the perceived trustworthiness of Australia-made

hardware or software and this concern was raised in my Singapore discussions. TCNs could force a company to make a secret modification to its product to help a government agency access a suspect's messages.

This could disadvantage Australian software developers and Telcos in their efforts to expand into international markets, including into China. It will exclude companies from security work in many Western markets because the security of their software development cannot be assured as the communications can, potentially, be subject to an order to open them at the order from the Australian Government.

From Daryl Guppy



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



Why Australia? Chinese Students on Studying Abroad

Link: <http://www.acbc.com.au/podcasts>

International education has become Australia's 3rd largest export sector valued at \$28 billion. As of 2018, currently more than 166,000 of those students, or 43% of the total cohort come from China to pursue their tertiary study at a reputable and high-quality Australian university. On this episode we look at the motivating factors behind a student in China opting for Australia as a study destination. What exactly goes into their decision-making process?

We speak to a group of Chinese students currently undertaking language training in Melbourne and on the verge of beginning their university studies. We take a look at the role international university rankings play in their decision in choosing to study in Australia and how Australia compares to America, the UK and Canada in the minds of prospective students. We also hear what they tell their family and friends about their first impressions and expectations studying here, the products their families want sent to them and whether they intend to look for work in Australia or return to China after completing their degree.

Upcoming Episodes

Warwick Smith - 40 years of the Australia China Council

Natalie Cope - Australia China Youth Dialogue

Danny Armstrong (Shinewing) - Setting up your business in China

We are keen to hear your success stories

Are you enjoying success in China?

If so, please share with us your success in the Australia China business space, Your story could inform and inspire others.

We are happy to narrate your success stories in our newsletter. Enquiries at acbcnt@acbc.com.au

NT ACBC Branch Meeting Dates 2019

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:

Dates	Time
6-Feb	8-9 AM
20-Mar	8-9 AM
1-May	8-9 AM
12-Jun	8-9 AM
24-Jul	8-9 AM
4-Sep	8-9 AM
16-Oct	8-9 AM
27-Nov	8-9 AM

2018-2019 NT ACBC Executive

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Ex-Officio members

Wayne Fan/ Chris Mouat – Department of Business

Cecila Brennan - Dept. of Foreign Affairs and Trade

Austrade - Martin Ferreyra

NT Tourism – Daryl Hudson

Lisa O'Donoghue – South Australia Liaison

ACBC NT WELCOMES NEW AND CONTINUING MEMBERS

DN Bell & Associates Amy Qin amy@dnbell.com.au

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

PROPOSED NT BRANCH CHINA BUSINESS BRIEFINGS 2019

The Business Briefings in 2019 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.

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

China lowers e-commerce import taxes to boost consumption

Beijing plans to raise the tax threshold for e-commerce imports to allow consumers to spending more money on overseas goods online without paying tax. The move appears designed to boost consumption and kick-start a slowing economy, Caixin reports.

The tax quota will be increased by 30%, from RMB 20,000 to RMB 26,000 (\$3,750), according to an announcement by the State Council. The limit for a single transaction will also rise from RMB 2,000 to RMB 5,000, and the policy will be expanded from 15 to 22 cities.

Chinese consumers spent RMB 1.03 trillion on imported products during the first half of 2018, with the total for the whole year expected to reach RMB 1.9 trillion, up 27% year-on-year, according to the Electronic Commerce Research Center.

Europe moves forward with new foreign investment screening system

The European Union has brokered a preliminary agreement on new rules that will increase scrutiny of foreign investments into Europe, a move implicitly aimed at curtailing strategic investment by Chinese entities on the continent, Reuters reports.

The negotiations included representatives from the European Parliament and all 28 member states, and will pave the way for a system where the European Commission would investigate foreign investments in sensitive areas, including strategic technologies and critical infrastructure, such as ports and energy networks.

Speaking of the deal, the parliament's head negotiator, Franck Proust, said: "It will mark the end of European naivety. All the world powers – the United States, Japan, China – have a method of screening. Only Europe does not."

Calls for an investment screening process were led by France, Germany and the previous government of Italy, though the country's new populist government is not keen on the new rules. The states were mainly reacting to a surge of Chinese investment since 2015 into key ports, as well as technology firms in strategic industries.

However, the new system is by no means certain to be implemented at this stage. First, the proposal needs to be approved by the 28 member states at a meeting on December 5. Several countries, including Cyprus, Greece, Luxembourg, Malta and Portugal are believed to be opposed to the policy.

Many of those countries receive large investments from China, such as Greece, whose Piraeus port has thrived thanks to a large influx of capital from China's COSCO Shipping.

China is planning huge purge of peer-to-peer lending market

Bloomberg reports that China is preparing to launch a large-scale purge of the \$176 billion peer-to-peer lending market, closing small- and medium-sized firms that the government considers to be a threat to financial and social stability.

Citing unnamed sources with knowledge of the matter, Bloomberg says that Beijing has become alarmed at the sharp rise in defaults in the P2P market this year and the accompanying rise in public anger this has caused.

The clampdown on the industry will expand a previous purge of lenders in Hangzhou to the national level, dramatically shrinking the size of the market.

The P2P market grew rapidly in China due to lax regulation and the fact that consumers and private businesses often struggled to access other sources of lending. P2P platforms also offered high yields, with consumers often assuming that the government would act as a backstop for struggling firms. However, the slowdown in the Chinese economy and the crackdown on financial risk this year have caused serious problems for peer-to-peer lenders. More than 80% of the country's 6,200 P2P platforms have now folded or encountered "serious difficulties," according to research firm Yingcan Group.

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 acbcnt@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 acbcnt@acbc.com.au. Please use email header ACBC NOTE. Information received up to the day prior to publication will be included.

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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 0801

Or Email: acbcnt@acbc.com.au

Membership

TOTAL

**NT Government Departments
Companies**

1024.87

Annual turnover:

More than \$ 50 million *
\$ 15 million to \$ 50 million
\$ 5 million to \$ 15 million
Less than \$ 5 million

3492.50
1831.50
1024.87
532.40