

CHINA IN TOUCH



An ACBC Northern Territory Newsletter

January 16 2019, Issue 244

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

NT President's observations

Welcome to 2019 where it is increasingly clear that the America First policies pursued by Donald Trump in 2018 seem to be aimed at creating a bipolar financial world, with China at one end and the US at the other. For investors this signals more market volatility in 2019 with extreme swings. For the NT it may make attracting Chinese investment more difficult.

One consequence will be smaller financial flows between China and the US. The downgrade in Apple results is just the first precursor to this ongoing impact. Investors can expect more China related revenue shocks to US companies over the coming months of the reporting season.

Another consequence is an increased effort from Beijing to challenge the dollar's status as the world's reserve currency. This impacts many things, from the status of US Treasury securities as safe assets to how oil and other commodities are priced. The 'America First' policy will encourage a long-term move away from the US dollar particularly in response to the growing American propensity to use the dollar as a weapon through the implementation of sanctions.

This weaponization of the dollar impacts not just on China. It is increasingly alienating traditional allies in Europe, the Middle East and Asia. This dollar weaponization is encouraging acceptance of the RMB as a counterfoil.

When the dollar is the dominant reserve currency it means Washington can dictate policy. Europe had no choice but to go along with unilateral US sanctions on Iran or risk becoming the object of sanctions itself. Some European bank executives believe the US has imposed exorbitant fines for violating US laws because US authorities could threaten to lock them out of the dollar-denominated financial system.

China is determined to create a world in which not everything is traded in dollars. Chinese demand for commodities, including oil, rubber, natural gas, soybeans, wheat, and iron ore is so large that it makes sense for them to be priced in RMB.

China already uses its own currency to pay for Iranian and Russian oil and 2019 will see an expansion of RMB counterparties and of commodities traded in RMB. China began trading renminbi-denominated crude oil futures out of Shanghai in March.

China's challenge to the status of the dollar is multi-faceted. The People's Bank of China has foreign-exchange swap lines with more than 30 countries in contrast to the six swap agreements operated by the US Federal Reserve.

China and Japan are the two largest foreign holders of US Treasuries and the issuance is increasing as President Trump continues to expand the US budget deficit. Interest rates in the US could go even higher without China buying Treasuries.

China is actively opening up its own government bond market to foreign investment with the Bond Connect program so this increasingly liquid market can become an attractive alternative to the US market. Cross market equity trading was expanded with the FTSE-Shanghai cross connect platform in late 2018. In recent weeks the major international index benchmarks have increased the weighting of mainland stocks.

President Trump prefers the simple "I win, you lose" zero-sum game. President Xi prefers the subtlety of Weiqi or Go as it is known in the West. Trump's trade team in Beijing last week were not playing the same game as Xi. Investors need to be responsive to the overt outcomes whilst keeping an eye on the bi-polarity of the evolving financial world.

Daryl Guppy,
President,
NT Branch,
Newsletter editor

PROPOSED NT ACBC EVENTS 2019

- Coordinate Chinese food delegation to Darwin February
- Executive and members/friends ACFS briefing on the Foreign Influence laws. This may become a multi- organisation briefing including the International Business Council, Chamber of Commerce and Indonesian and India business councils.
- NAB -China- Trade tensions and investment Opportunities
- Luohe Food Expo
- One Belt One Road Expo Xi'an, May
- Investment/Trade expo in Darwin for Shenzhen
- Canberra Networking Day
- NT trade and business expo in Shenzhen
- Australia Week in China
- China International Import Expo - CIIE Shanghai November

Donghai Airlines Service – EASIER BOOKING

The Territory's first-ever direct air service from China is starting to achieve results, bringing more Chinese visitors here and delivering significant flow-on benefits into the economy.

Performance highlights include:

- From 30 May to the end of September 2018, Donghai Airlines has carried 2,918 passengers.
- 56%, or 1,647 passengers were on inbound flights into Darwin. Assuming 90% of these travellers were Chinese, and using an average spend of \$1,638 per Chinese visitor*, these flights have brought \$2.43 million in new visitor expenditure into the Territory - this is additional money that would not be coming into the Territory economy if not for these flights.
- During the first five months of services, Donghai Airlines has spent over \$500,000 in staff accommodation and services, ground handling and fuel in Darwin. This is further new money into the local economy.
- Donghai Airlines started on 30 May 2018, with a two per week service, increased flights to three per week during the month of August and had an extra flight on 1 October as these aligned with peak holiday periods in China.

While it will take time to build sustainable demand for direct travel between China and Darwin, early signs from the Donghai service are positive. Tourism NT is supporting the service with investment in inbound tourism marketing activities. In market activity undertaken in Darwin by NT Airports to build outbound travel has included an airfreight seminar, travel agent familiarisation and sponsorship of various charities, business events and radio competitions.

The Chinese New Year (CNY) period (normally in February) is a peak period of inbound activity to Australia. Similarly to the national trend, Chinese arrivals into Darwin for CNY 2019 are expected to swell and provide a welcome boost to the city during what is traditionally a quieter time for tourism operators.

“The direct Donghai Airlines service between Shenzhen and Darwin is a game changer. The service has the potential to deliver over 31,000 additional seats and up to \$32 million into the economy per year.

“Donghai Airlines has secured its flights between Shenzhen and Darwin up until October 2019 and has now received its International Air Transport Association code which means for the first time Australian travel agents can have access to book the flight. This is anticipated to result in more air tickets purchased by Territorians.

“The cooperative marketing activity includes a campaign with Xinhua International Travel Service and a high-profile ‘Planet Institute’ WeChat promotion. “Shenzhen TV filmed in the Top End in October 2018, with the footage broadcast on Donghai flights and Shenzhen TV.

“Donghai Airlines have advised my Department that the Darwin service has exceeded initial expectations.

“More flights, more choice and more people, means more jobs. Turbocharging tourism flow-on benefits are evident, rippling through many of our industry sectors – including retail, hospitality, resources, transport and construction.”

“Shenzhen has a lot of appeal as a tourism destination including shopping, the world famous Mission Hills Golf Resort and with Hong Kong only a short 40 minute train ride away, a family holiday to Disneyland is now on our doorstep.

To book online www.global.donghaiair.com or www.trip.com ; or visit your local travel agent HelloWorld, QBT or Top Oz Travel; or call 1800 905 614.

From several sources.



第十七届中国（漯河）食品博览会 THE 17th CHINA (LUOHE) FOOD EXPO

2019年5月16-18日漯河国际会展中心

16th-18th May 2019 The International Convention and Exhibition Center of Luohé

INVITATION 邀请函

主办单位

中国食品工业协会
中国商业联合会
中国食品和包装机械工业协会

承办单位

漯河市人民政府
河南省商务厅
河南省工信委
河南省食品工业协会

执行承办

北京京展佳会国际会议展览有限公司

SPONSORS

China National Food Industry Association
China General Chamber of Commerce
China Food and Packaging Machinery Industry Association

ORGANIZERS

Luohé Municipal People's Government
Henan Provincial Commerce Department
Commission of Industry and Information Technology of Henan Province
Henan Provincial Food Industry Association

EXECUTIVE

King MICE Co., Ltd.



For more information contact Edward.Shangcl@qq.com in English. Details on www.foodexpolh.com

TOP END DEALS WITH CHINA OUTPACING OTHERS

The Northern Territory has almost 10 times more agreements with China than it does with the US and Japan combined, excluding those related to defence and the Ichthys liquefied natural gas project. The jurisdiction closest to Chinese President Xi Jinping's Maritime Silk Road has at least 38 Chinese deals, to do with everything from economic development to education, compared with just three with Japan and one with the US.

The Territory president of the Australia China Business Council, Daryl Guppy, believes the Territory government is already co-operating with China's strategic Belt and Road Initiative unofficially. "Territory investment proposals are being formed in a BRI context," Mr Guppy said. "If you want to attract Chinese capital investment, then if you form those investment proposals in a way that's compatible with the BRI, the approval processes will be fast-tracked on the Chinese side."

The Territory's Chief Minister, Michael Gunner, denied favouring Chinese money and denied being invited to consider signing a formal BRI memorandum of understanding (similar to the one the Andrews government struck in Victoria) when Darwin hosted a BRI conference in July. "All countries are treated equally, and the Territory packages investment opportunities with a range of partners in mind," Mr Gunner said. "We have a good relationship with China. We call it Developing the North, they call it One Belt, One Road."

Darwin Mayor Kon Vatskalis was forced last week to defend a deal with a district of the Chinese city of Guangzhou after The Australian reported it was being cast in China as part of Mr Xi's signature BRI strategy. A City of Darwin spokeswoman confirmed other councillors were not told in advance that Mr Vatskalis planned to sign an agreement with Yuexiu district, nor given an opportunity to review the draft text. "It is a non-binding letter of intent and a customary gesture when in China," the spokeswoman said. "This does not require a resolution of council."

Mr Guppy cited the Darwin Port lease and the Donghai Airlines route between Darwin and Shenzhen as examples of Territory governments co-operating with the BRI. "The Donghai expansion is compatible with BRI objectives," he said. "You simply get involved in it (the BRI) by not rejecting it ... the port lease was deliberately designed to be attractive to Chinese investors, as well as US and European ones." Mr Guppy said part of the "under-pinning" of the BRI was the expansion of tourism and cultural exchanges.

Extract from The Australian

CHINESE HOLIDAYS

Chinese workers do not have the same leave entitlements as we have in Australia or Europe. The result is a much greater reliance on public holidays. This is changing and this is reflected in the increased Chinese investment in tourism assets nationally and internationally.

Chinese professionals around 25 to 30 are more inclined to take paid and unpaid leave as they have the most disposable income of any Chinese demographic.

The Chinese public holidays are:

New Years Day. This is a one day holiday on January 1. It may provide a 3 day holiday if it butts onto a weekend

Spring Festival, or Chinese New Year as its known in the West. This is 3 days but it is often turned into a 9 day holiday – 5 working days and 2 weekends. The date is set by the astrological calendar. Unusually late January to mid-February. Its is common for workers to add extra days to this period in a futile attempt to beat the rush.

Qing Min Festival. -This is a 1 day holiday. The date is set by the astrological calendar and it may provide a 3 day holiday if it butts onto a weekend. Usually early April.

May Day – Labour day. This is May 1. It may provide a 3 day holiday if it butts onto a weekend. If, as this year, it falls on a Tuesday, then many businesses will close on the Monday and give a four day holiday. This extended holiday is at the discretion of individual businesses.

Dragon boat festival – Poets day in China. . This is a 1 day holiday. The date is set by the astrological calendar and it may provide a 3 day holiday if it butts onto a weekend. This is in June.

Mid Autumn Festival or Moon festival. This is a 1 day holiday. The date is set by the astrological calendar and it may provide a 3 day holiday if it butts onto a weekend. Usually mid to late September.

National day holiday. This is October 1 to 3. It may provide a 9 day holiday if it butts onto a weekend. More importantly, it may provide a one week holiday if mid-Autumn festival is also late September. This year it's a one week holiday because Mid-Autumn festival and national day are combined.

In terms of annual leave there is a guarantee of 5 to 15 days paid annual leave. However annual leave entitlements are growing, particularly in the middle class and professional jobs.

Annual leave may be accumulated and taken in a lump, particularly for Government workers. Long service leave is 5 working days (from 1 to 9 years seniority), 10 working days (from 10 to 19), 15 working days (from 20 years onwards). The application to private industry is uneven.

Students and teachers have summer and winter holidays for about three months. The summer school holiday generally starts around July 1 and ends around August 31. The winter school holidays usually fall in January or February depending to the date of the Spring Festival.

The result is that the public holidays represent the only real leave that many people have. These are periods of intense travel activity. For travellers to China these are times to avoid.

The upper middle class is increasingly accessing paid and unpaid leave more easily. This is driving an increase in demand for independent travel outside the official holiday periods. These numbers are substantial and growing.

Official sponsored business development days are an important additional 'official' holiday for many people. This is where a company or department will travel to a holiday location for training or group activities. This is often for a week. It is common to arrange this as domestic travel to destinations such as Dalian and Hainan. This is a hangover from earlier periods when there were less public holidays. It is less common for this to include international travel. However, in many international business delegations there is a component that reflects this domestic tradition.

From Daryl Guppy

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



Title: Celebrating 40 years of the Australia China Council

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

While 2018 year marks the 40th anniversary of China's Reform and Opening up, it is also the year that the Australia China Council commemorates its first 40 years. 5 years after Australia began its engagement with the Peoples Republic of China, the ACC was established as an institution within the Australian Government devoted to promote mutual understanding and foster people-to-people relations between Australia and China. As the ACC looks back on its four-decade long achievements, its current Chair, The Hon Warwick Smith, looks back on the work of the ACC to foster ties in economic diplomacy, education and arts and culture. We discuss the work undertaken by the ACC in agriculture in China, arts exchanges that have seen numerous tours of the Australia Ballet to China, The Age helping to set up the China Daily, the first Chinese English language media entity in the PRC and FASIC, the Foundation for Australian studies in China.

CHINESE PROVINCES AND MAJOR CITIES

We all know Beijing, Shanghai, Guangzhou, Shenzhen, Xi'an. Depending on the work we do we might also be aware of Nanjing, Nanning, Tianjin, Chongqing, Hainan, Qingdao and perhaps 3 or 4 other Chinese cities. When we hear of other place names like we are not sure of their size of significance. Over the next few issues we bring you a comprehensive list of provinces and their major cities. These are cities of 3 to 10 million. Each offers a potential market outside of the crowded headline Chinese cities.

Mainland China Provinces and Cities

Municipalities

- Beijing
- Chongqing
- Shanghai
- Tianjin

Provinces and Cities

Anhui			
Anqing	Bengbu	Bozhou	Chizhou
Chuzhou	Fuyang	Hefei	Huaibei
Huainan	Huangshan	Lu'an	Maanshan
Suzhou	Tongling	Wuhu	Xuancheng
Fujian			
Fuzhou	Longyan	Nanping	Ningde
Putian	Quanzhou	Sanming	Xiamen
Zhangzhou			
Gansu			
Baiyin	Dingxi	Gannan Tibetan Autonomous Prefecture	Jiayuguan
Jinchang	Jiuquan	Lanzhou	Linxia
Longnan	Pingliang	Qingyang	Tianshui
Wuwei	Zhangye		
Guangdong			
Chaozhou	Dongguan	Foshan	Guangzhou
Heyuan	Huizhou	Jiangmen	Jieyang
Maoming	Meizhou	Pearl River Delta	Qingyuan
Shantou	Shanwei	Shaoguan	Shenzhen
Yangjiang	Yunfu	Zhanjiang	Zhaoqing
Zhongshan	Zhuhai		

ACBC NT WELCOMES NEW AND CONTINUING MEMBERS

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

NT ACBC Branch Meeting Dates 2019

First 2019 meeting Feb 6

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

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

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

willem.westra@bigpond.com

Justin Gill – Adobe Homes (**Vice President**) jg@newabode.com.au

Kelvin Chan – Ausyn Education (**Vice President**) marketing@asedu.com.au

Richard Ting – Darwin City Hotel (**Treasurer**) hdting@yahoo.com

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

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

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

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

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

China set to double new energy vehicle sales by 2020

China's minister of industry and information technology has said that the country's automotive industry expects to double new energy vehicles sales to reach 2 million by 2020, reports Caixin.

Last year's sales saw a rapid growth of 83% year-on year to reach 1.01 million units, according to the China Passenger Car Association (CPCA).

The Center for Strategic and International Studies reports, however, that this increase has been more the result of government support than consumer demand. Beijing spent a total of RMB 393 billion (\$56.6 billion) between 2009 and 2017 in efforts to promote the development of the industry. Support included sales subsidies, government procurement, sales tax exemptions and research initiatives.

However, Beijing began cutting back on its subsidies early last year as part of its plan to put an end to all subsidies after 2020. In its place, the government has introduced a "dual-credit" system which forces automakers to produce a certain number of new-energy vehicles per year.

Automakers have voiced concerns that the new policy will mainly drive the production side of the industry but not necessarily the demand for new-energy vehicles.

China overhauls renewable energy policy

Share prices in solar power equipment manufacturers surged in New York and Hong Kong Thursday after the Chinese government announced plans to build a new round of pilot wind and solar power projects, Bloomberg reports.

Beijing is essentially offering a new deal to the renewable energy industry as it moves away from a highly costly and inefficient old system, under which the government handed out large subsidies to companies installing new capacity.

The pilot projects will not receive national government payments, but they will sell the power produced to the grids at fixed prices that are the same or lower than those used by coal-fired plants, according to the National Development and Reform Commission. These power purchase agreements will be long-term, offering security to energy firms. Subsidy-free plants will also be able to opt out of taking part in some power market transactions.

"This offers much-needed certainty for investment decisions," Tony Fei, analyst at BOCI Research, wrote in a note. "The solar PV supply chain could be more direct beneficiary."

Asian Infrastructure Investment Bank plans \$500 million for new bond program

The China-led Asian Infrastructure Investment Bank (AIIB) will commit half a billion dollars to bonds that will fund sustainable energy and transportation programs, the Wall Street Journal reports.

The restrained move is a small fraction of the \$100 billion the bank attracted when it launched in 2016, which it has applied minimally despite the number of members continuing to expand to almost 100 countries.

The new bond program – named the 'AIIB Asia ESG Enhanced Credit Managed Portfolio – will incentivise infrastructure firms in the private-sector to pursue clean and sustainable projects, according to Chief Investment Officer D. J. Pandian, through buying up \$500 million of corporate debt allocated to such deals.

"We are investing in these bonds so there will be more liquidity and encourage more infrastructure projects to come to the capital market," said Pandian.

Up to 15% of the bond investment will be directed towards China, Pandian said, where the government is eagerly working to become a global leader in clean energy policies and green finance.

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

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.

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.

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