



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

Canberra Networking Day 2019

His Excellency Cheng Jingye, Chinese Ambassador to Australia

The Honourable Simon Birmingham, Minister for Trade

Distinguished guests, Ladies and gentlemen

Welcome to Canberra Networking Day.

I'd like to start by congratulating the Morrison Government on their election win.

While I am sure analysis of the election result will continue for some time, one thing is clear: The Government was re-elected on a promise to keep the Australian economy strong. Every ACBC member knows that one factor more than any other will determine whether that promise can be kept ... and that's the strength of the Australia-China relationship.

Not only is this relationship one of the main reasons behind more than a quarter century of unbroken economic growth ...

Not only does it account for around 40% of Australia's growth post-GFC ...

Not only has it led to more than \$192billion of two way trade today ...

But Australia's economic relationship with China will continue to shape the economic prospects and quality of life of Australians for generations to come.

That's why ACBC has a full page ad in Monday's's and today's newspapers with the message: 'Relationships. We like ours strong.' A strong Australia China relationship is good for Australia, good for China.....and good for the world.



In just a few months' time, my period as National President of the Australia China Business Council comes to an end. If I've learned one thing over the five years in this role, it's that the voice of business has never been more essential when it comes to shaping Australia's relationship with China.

Governments must hear from the people on the ground.....and business needs to lead the way.

That's what Canberra Networking Day is about. It's an opportunity for Australia's most China-engaged business leaders to meet, to hear from our nation's leaders, and to contribute to the national conversation at the highest level.

We have a packed program ahead of us. This morning I want to briefly outline five ways in which I believe business, government and the broader community can work together to take the Australia-China relationship to the next level.

First, we need to deal with the China of today and tomorrow, not the China of yesterday.

Modern China is an economic, technological and innovation powerhouse.

In purchasing power parity (PPP) terms, China's economy is already 25% larger than the USA.

And as the Reserve Bank Governor Phillip Lowe pointed out recently, the maths is simple: when China's per capita GDP reaches just 50 per cent of America's, its economy will be twice as large.

With this growth comes a booming middle class. McKinsey forecast that by 2022, China's middle class will be 550 million people.



As China's middle class grows, so Australia's trading relationship with China will change.

Resources and agriculture—'rocks and crops'—will continue to play a very important role.

But there will be more and more opportunities to provide the goods and services that a newly-enriched middle class demands: high quality health and wellbeing products and services; boutique tourist destinations; quality education, aged care, medicine, financial services—and the list goes on.

Already, 1.4 million Chinese tourists visit Australia every year.

160,000 Chinese students are studying here.

But there is still room for much more growth in these areas. ACBC research predicts that by 2025, one million new jobs could be created in Australia in areas as diverse as health, education, tourism, financial services and construction—all thanks to the growth of the Chinese middle class.

But this won't happen by accident. Australian businesses and governments need to engage with Chinese initiatives like the biggest trade fair in the history of the world: the China International Import Expo.

Last November in Shanghai, I attended CIIE alongside Trade Minister Simon Birmingham and more than 160 Australian businesses—and every one of them would tell you that the size and scale of the event has to be seen to be believed.

CIIE is one of Xi Jinping's signature initiatives....it's another key step in the opening up of China.....and I strongly urge Australian businesses to attend.



We also need to better understand and engage with China's digital economy.

China has embraced digital like no other country on earth.

China now has as many 'digital natives' as the US has total internet users.

Well over 600 million Chinese consumers now shop online. About 70 per cent of these do so on a mobile phone.

On Single's Day last year, Alibaba made \$1 billion worth of sales in the first 90 seconds.

But China's digital market is not like Australia's. The platforms are different, and the way consumers engage is different. Last year ACBC partnered with Sinorbis to release a report entitled *Stoking the Dragon: Unlocking China's New Generation of Digital Consumers*, which gives a good insight into the makeup and operation of China's online marketplace.

And today the Trade Minister will launch the *ABC Index Report 2019*, which helps Australian brands to understand what does and doesn't work in the China of today, and why.

The third way we can shift the Australia-China relationship to the next level is to tap into what will very soon be the biggest R&D spend in the history of the world.

As China grows, the Chinese Government is determined to avoid the 'middle income trap', where developing economies get stuck at a point where simply adding labour can no longer drive growth, and productivity stalls.

China knows how to get out of the trap, and that's through a massive investment in R&D.



That explains why China is determined to spend 2.5 per cent of GDP on R&D by 2020. It explains too why many expert commentators say that China is now the global leader in areas like 5G, robotics and even AI.

The good news for Australia is that we can leverage some of that unprecedented R&D spend through partnerships: between governments, between universities, and between businesses.

ACBC has welcomed the Australian Government's recent decision to provide \$4.7 million in research grants for five new Australia-China joint university research centres. This funding will be matched by the Chinese Government. But looking forward, we need to be doing much, much more in IT collaborations, medical research and commercialisation, robotics and AI.

The fourth way we can take the Australia-China relationship to the next level is by welcoming Chinese investment.

Australia is a nation built on FDI. We are a net capital importer. We currently have huge needs for investment, whether it be for infrastructure, R&D, or business growth and development. Our recent productivity performance is poor.....and the best way to lift performance is through significant new investment in capital equipment, new technology and R&D.

Today we will be launching a report in partnership with Deloitte Access Economics on the impact of the Significant Investor Visa program. The SIV has attracted more than \$10 billion of investment to Australia since 2012, not to mention the talents and energies of the more than 2000 entrepreneurial and high net worth individuals involved.



Past research by ACBC has shown that Chinese investment has benefits that go well beyond the mere injection of capital. Partnering with a Chinese investor can, for example, open up new markets across China.

In Australia, there's always been public debate about FDI, whether it's from the US, Japan or China. But recent Lowy Institute research shows a hardening of attitudes in relation to Chinese investment. We need to find ways of telling a better story about Chinese FDI, and ACBC's recent report *The Benefits of Chinese Investment: Some Victorian Examples* is an attempt to do just that.

That brings me to the Belt and Road Initiative. At ACBC we believe there are significant benefits for Australia and our region through a closer engagement with the Belt and Road Initiative (BRI). BRI will drive investment, lift trade in goods and services, and revolutionise freight and logistics.

ACBC welcomed the Victorian Government's decision to sign a Memorandum of Understanding with the Chinese Government on BRI.

As Premier Daniel Andrews said at the time, this will mean 'more jobs and more trade and investment for Victorians.'

As China does more to shape the future of the region, the fundamental question for Australia is whether we want a seat at the table. When it came to the establishment of the Asian Infrastructure Investment Bank, Australia said yes—we want to be part of that. In fact, that decision was announced here at Networking Day by then Treasurer Joe Hockey. To grow our economy...to keep it strong....Australia needs a strategy to become part of the BRI. Closer engagement with BRI will, I believe, also help firm up Australia's reputation as a creative, independent middle power in the region.



The fifth way to take the Australia-China relationship to the next level is to enlist every sector in the effort.

It's not just a job for government, and it's not just a job for business.

Sporting bodies, cultural bodies, and community organisations must also become more China literate, and form more partnerships with China. The newly formed National Foundation for Australia China Relations which Kevin Magee from DFAT will elaborate on this afternoon will play an important role in facilitating partnerships and exchanges in these important sectors and encourage people to people connections.

The recent AFL match between Port Adelaide and St Kilda—the third for Premiership points in Shanghai—is a great example of the potential of sports diplomacy.

And I notice the Terracotta Warriors are back in Australia as we speak. Way back in 1982 Melbourne hosted the very first exhibition of the Terracotta Warriors outside of China—a sign of the strong relationship between our countries following Whitlam's reaching out a decade earlier.

Conclusion

In 2017 ACBC hosted Premier Li Keqiang in Sydney. He made the point that as economies were closing up around the world, and protectionism was on the rise, Australia and China could be a positive example of the benefits of free trade.

This message is even more crucial today.

The trade dispute between the US and China is already hurting consumers in both countries as well as driving global growth projections lower.



In a globalised world, the idea that two economies the size of the US and China can somehow ‘decouple’ from one another is a fantasy, and a dangerous one.

The worst thing Australia could do in such a dispute is to pick a side. Rather, we need to maintain good relationships with both nations.

And we need to continue to promote the benefits of globalisation—millions lifted out of poverty, production chains linking nations from Asia to Europe and the Americas, comparative advantages between countries leveraged for mutual benefit.

All of these are threatened by the rise of protectionism, short term thinking and nationalist rhetoric.

Australian businesses know the advantages of free trade.

They also know the enormous benefits that have flowed from Australia’s four decades of constructive engagement with a reforming China: from Whitlam and the establishment of diplomatic relations in 1972, through Deng Xiaoping and the ‘opening up’ of the eighties, through to the signing of ChAFTA and beyond.

We need to keep telling this story. But even more importantly, we need to write the next chapter—and that’s what Canberra Networking Day is all about.

I want to thank you all for coming and wish you all the very best for the day.