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Minister for Trade, Tourism and Investment

SPEECH

CHINA CHAMBER OF COMMERCE IN AUSTRALIA 10TH ANNIVERSARY

NOVEMBER 15, 2016

*****CHECK AGAINST DELIVERY*****

Thank you to the Chairman of the China Chamber of Commerce in Australia, Mr HU Shanjun for inviting me to speak at this important event – it's a pleasure to be here.

I welcome His Excellency Mr CHENG Jingye, the Ambassador of the People's Republic of China to Australia and His Excellency Mr GU Xiaojie the Consul-General of the People's Republic of China in Sydney. I also welcome senior representatives of Australian and Chinese businesses and representatives of state governments and the Commonwealth Treasury. Ladies and gentlemen.

Tonight's celebration represents a major milestone. It has been an extraordinary ten years in the Australia-China relationship during which our ties have expanded and deepened significantly.

A decade ago, when this organisation, the China Chamber of Commerce in Australia, was brought into being, the Australia-China relationship looked quite different.

China – for its part – was undergoing an almost unbelievable transformation – an industrialisation and urbanisation on a scale the world has never before seen.

Australia – long a trusted, reliable, friendly trading partner for China – was going through an unprecedented mining investment boom.

The two events reflect the strong complementarity underlying our economies and the impact of that relationship on our economies cannot be underestimated.

Without the mining investment boom in Australia that peaked over 2006 and 2007 and the strong bilateral trade and investment that followed, both Australia and China would be poorer countries today.

And as both countries developed over the decade, our trade and investment relationship has strengthened and diversified.

Minerals and energy exports to China are still one of our greatest strengths.

And China's strength in exports of manufactured goods still satisfy strong Australian demand.

Building on that, Chinese consumers look for the high quality agricultural produce, food and beverages and other products and services we have on offer. We look for the cutting edge technology and other goods China is developing.

Bilateral trade now totals \$150 billion, Australia's largest trading relationship by a significant margin. Our goods and services exports to China totalled \$85.6 billion in 2015, growing by around 18 per cent per year over the previous 10 years. Our imports from China reached \$64.2 billion and grew at around 10 per cent a year.

On the investment side, China is now Australia's fifth largest direct investor, growing from insignificant levels 10 years ago to reach \$35.2 billion in 2015. Against this, Australian direct investment in China was \$14.1 billion, showing great scope to increase given China's large economy.

Our commercial relationship is becoming more significant because we are opening up our economies for greater interaction.

There is no better foundation to further strengthen our economic links than through the China-Australia Free Trade Agreement (ChAFTA).

With two tariff cuts under our belt, and another one to come in just over six weeks' time, ChAFTA is giving our collective industries a competitive edge into the China – Australia markets, providing mutual benefits to China and Australia.

Tariffs on [all] Chinese goods exports to Australia will be eliminated by 1 January 2019.

Australian consumers are already benefitting from lower tariffs on imports of Chinese goods like clothing, toys, furniture, sporting goods and electronics manufactured in China.

The Chinese Government has also reduced or eliminated tariffs on Australian exports such as dairy, beef, wine, seafood, fruit and vegetables, processed foods, vitamins and health products – which, I understand, are highly sought after by discerning Chinese consumers and businesses who seek clean, green and high-quality Australian produce at a competitive price.

Encouragingly, trade data point to strong initial uptake of the Agreement.

ChAFTA also includes provisions to facilitate Australian services and investment in sectors of Australian strength and growing Chinese demand, in areas such as education, finance, health, aged care and tourism.

Services play an increasingly important role in our international trade, with services exports growing by an average 3.2 per cent per annum over the last five years.

A major example of this is tourism. This trade has grown substantially over the decade. Chinese visitors to Australia have increased more than three-fold, from 335,000 in 2005-06 to reach 1.14 million in 2015-16. Australian visitors to China reached 439,000 in 2015-16, up from 268,000 ten years previously.

The strong links are highlighted in designation of the year 2017 to the China Australia Year of Tourism. This builds on the two decades of successful tourism partnership. It will support tourism growth in both countries and further strengthen our people-to-people links.

All of this means that Australia can make a strong contribution to the Chinese economy, as Chinese demand for quality services and consumption increase further. China similarly has an excellent level of access to Australian markets now.

Investment, too, is now more important, in the Australia-China relationship, than it was in 2006.

And ChAFTA provides Chinese businesses with greater flexibility to invest in Australia by increasing the FIRB threshold for private companies to \$1,094 million (up from \$252 million), a significant increase.

This agreement delivers real business outcomes. I highly encourage businesses to get out there and use it.

The Australia-China investment relationship is taking many forms – and includes cases of reinvestment, in many cases going back many years.

Australia welcomes foreign investment where it is not contrary to our national interest, and makes decisions on a non-discriminatory basis. The foreign investment regime provides a structured process for this assessment.

We have welcomed Chinese investment – in the ten years to 2014-15, Australia has approved around \$183 billion of Chinese investment (including investment in Australian businesses as well as real estate investment).

There are some very positive stories happening throughout our investment relationship. Strategic partnerships and M&A activity are a big feature of the investment landscape.

The case study of the successful merger between one of Australia's oldest law firms Mallesons Stephen Jaques and Chinese legal firm King and Wood, detailed in your investment report (now number 12 on the global elite legal brand index, and the only global law firm headquartered in Asia) is great example of what Australian-Chinese partnerships can offer the world.

And in 2014-15, the Foreign Investment Review Board approved \$2.5 billion worth of Chinese investment in agriculture, forestry and fisheries industries.

While there have been an increasing number of Chinese investments in agriculture in recent years, including wine, dairy and sheep, such investment has been taking place for some time to the benefit of the Chinese companies and regional Australian economies.

The Weilong Wine Company, for example, in rural Victoria, is scaling up its Australian operations to meet Chinese demand for our wonderful wine.

Weilong plans to invest \$120 million in a processing plant in Mildura capable of processing 60,000 tonnes of Australian grapes each year.

Cubbie Station, bought by a textile consortium led by Shandong Ruyi in 2012, is reaping benefits for the rural community around Dirranbandi in south-western Queensland.

Media reports that contracting work has remained local, more people are employed to sow and harvest the cotton, wheat and other crops, and much processing has remained local. Ruyi has invested to expand capacity of the local cotton gin and upgrade irrigation works.

The company was lifted out of voluntary administration and, thanks to foreign investment, has been expanding production and exports, benefitting a broad range of suppliers up and down the supply chain.

Chinese investment in tourism will further develop tourism assets and support the burgeoning Chinese tourism market. For example, Dalian Wanda Group is investing in a five-star hotel on the Gold Coast, the Jewel Hotel development.

The addition of a new high-end Chinese hotel brand to the Australian market, with strong distribution networks across China, will have benefits across Australia's tourism industry.

Indeed, it remains true – as it always has, throughout our history – that Australian development relies to no small degree on foreign investment, to help support economic growth, and to help create new jobs.

For our part we would like to encourage much greater Australian investment into China. We look forward to China progressing with its implementation of a more liberal negative list investment approach as proposed, to further open its economy to foreign participation across the board.

Ladies and gentlemen, we are living through a period in the Australia-China relationship rich with opportunities for people in both our great nations.

CHAFTA was a historic deal, but it is really, in many ways, it is something that establishes a useful framework for business to build on.

The real work – of converting all that raw potential into great businesses, jobs and connections – lies not with government, but with business chambers and entrepreneurs like you.

Congratulations on your 10th anniversary and to your members who are enabling the relationship to thrive.

Thank you for investing in this important relationship for the past ten years, and for investing in it over the next ten.