



THE HON DR CRAIG EMERSON MP
MINISTER FOR TRADE

Opening address to the Australia-China 2.0 trade mission

Launch Event

Thursday 4 August 2011

Shangri-La Hotel, Guangzhou

[Check against delivery]

Welcome to Guangzhou and the Australia-China 2.0 trade mission.

My colleague, Kevin Rudd, conceived of this mission and would have loved to have been with us here today. He is recovering, as you know, from a successful grease and oil change, and will be firing on all cylinders again before you know it.

Last night and this morning I suggested we were standing on the threshold of history. Now I want to explain why in a little more detail.

China is already Australia's largest trading partner.

Our trade has been dominated by resources, which account for around 64 per cent of total Australian exports to China.

This resources trade has provided vital raw materials and energy for China's rapid industrialisation and its export-led development.

Over the last quarter century Australia has proven a reliable supplier in meeting China's minerals and energy security needs. And we will continue to do so.

But China is changing its growth model profoundly.

China is moving away from prioritising absolute growth to prioritising *quality* of growth – from growth at all costs towards sustainable and equitable growth; from savings, investment and export-led growth towards growth that is led by higher value-added manufacturing and domestic consumption.

As China transforms, the importance of the services sector is growing from a low base. In 1980, as China was opening up, the services sector's contribution to GDP in China was less than 22 per cent. By 1996, it had increased to almost 33 per cent. Last year, the services sector's contribution to GDP was 43 per cent – compared with around 70 per cent in Australia.

Rising per capita income and urbanisation are driving demand for services such as education, health care, urban planning and architecture. The proportion of China's population living in urban areas has grown from less than 20 per cent in 1980 to almost 50 per cent today, and is projected to exceed 70 per cent by 2050.

China's economic transformation is being supported by Chinese Government policy initiatives.

Policy goals of the 12th 5-Year Plan include:

- increasing the contribution of the services industry to GDP by another four percentage points to 47 per cent;
- financial services, logistics, high-tech services, professional services, retail, tourism, aged and disability care all targeted for development;
- reducing CO₂ emissions per unit of GDP growth by 17 per cent;
- cutting energy consumption per unit of GDP by 16 per cent; and
- reducing precautionary savings by expanding the coverage of pension schemes, boosting participation in basic medical insurance, investing in social housing and increasing minimum wage levels.

All this means that China's second and third tier cities are taking centre stage as the country's growth hubs. The cities we are visiting on this trade mission recorded GDP growth rates last year of 15-17 per cent – compared with around 10 per cent for China more broadly.

While our resources relationship will continue to be strong, great market opportunities are opening up across a much more diverse range of industries, particularly in services.

China is now our largest services export market having recently overtaken the US.

Over the last five years, Australian services exports to China grew by an average rate of 15 per cent annually, well ahead of our services exports to the US at 2.8 per cent, Korea at 6 per cent, Japan at -9.3 per cent and the UK at -0.4 per cent.

Australian companies are already starting to capture these new opportunities. All of Australia's 'Big 4' banks have a presence in China. Companies are also expanding into the green building and environmental services industries to maximise the opportunities the 12th 5-Year Plan will provide. Many professional services companies also have existing operations in China.

Australia has strong capabilities and expertise in many of the industries that can contribute to China's modernisation. China can take advantage of Australian capabilities to achieve its development goals.

This is why we are here – to put forward that proposition to China, to government decision makers and businesses in those booming provincial centres. Just as we have been a reliable partner in China's first great economic transformation, so too can Australia become a reliable partner in the next phase of China's growth.

That's why I say we are standing on the threshold of history.

We are here to help Australian businesses better understand the changes happening in China's economy and its booming provinces.

Over next six days, we will be travelling to Changsha, Wuhan, Chengdu and Chongqing. Some in the financial services industry will also accompany me to Shanghai.

These are truly remarkable cities.

Guangzhou, where we are now, and the broader Pearl River Delta, have long been the driver of China's export-led economic development. Its economy has been growing at an incredible 13 per cent annually since 1979. The Guangdong Government is now implementing policies to rebalance economic development by encouraging growth in high-tech industries and services.

We will then travel to the central hub cities of Changsha and Wuhan. These are strong industrial bases experiencing economic growth rates of around 15 per cent. They are benefiting from the relocation of industry away from the coastal areas that were the traditional industry powerhouses.

We will finish up in western China's boom cities, Chengdu and Chongqing. Their economies experienced economic growth of around 15 and 17 per cent respectively last year. Both cities have benefited strongly from central government policies to encourage economic growth in China's west.

Chongqing and the province of Sichuan, where Chengdu is located, are home to 110 million people and vibrant financial services, IT and high-tech manufacturing sectors.

Over the next six days, you will:

- participate in seminars led by industry representatives and trade officials covering emerging trends in China and market opportunities;
- receive guidance on how to operate successfully in the Chinese market; and
- attend more formal functions where you can network with Chinese business and provincial government leaders.

Parliamentary Secretary for Foreign Affairs, Mr Richard Marles, and I will be participating in the key aspects of the mission and we are happy to make ourselves available to members of the delegation throughout the mission.

I want to encourage you all, as we travel around China, to explore the possibilities available and to think creatively about your company's China strategy.

It is often on the journey along the least-trodden paths where the greatest excitement is felt and the best opportunities are found.

Finally, the government recently commissioned the Economist Intelligence Unit (EIU) to develop a report providing an overview of:

- the structural factors that are driving economic change in China;
- the growing importance of the services sector to China's economy;
- the economic transformation under way in the five cities we are visiting; and
- the key features of China's 12th 5-Year Plan and what this means for strategic growth sectors.

These publications have been made available to you.

I encourage you to refer to this report early on as a scene setter for the trade mission. On behalf of the Australian Government I wish you well in your adventures.

END

Unless otherwise indicated in this document, it is Copyright of the Commonwealth of Australia and the following applies:

Copyright Commonwealth of Australia. This material has been reproduced by permission but does not purport to be the official or authorised version.

You should make independent inquiries and obtain appropriate advice before relying on the information in any important matter.

This document has been distributed by Capital Monitor. All queries regarding the content should be directed to the author of this document.

Capital Monitor is a division of LexisNexis Australia, and can be contacted on 02 6273 4899.