



THE HON DR CRAIG EMERSON MP
MINISTER FOR TRADE

**Launch of the Chinese language edition of Austrade's
Australia's Banking Industry report**

Wednesday 10 August 2011

Shanghai

Deputy Secretary Sha and Director General Yang.

Our Ambassador Frances Adamson, who pointed out to me that since she started in China she has spent more time in Shanghai than in Beijing, but she assures me that she will spend some time in Beijing from time to time.

Our Consul General, Tom Connor: I can inform you, Tom, from the podium that I have heard nothing but praise for your work here in Shanghai as Consul General, so congratulations for that.

Could I also recognise Austrade CEO, Peter Grey, and all of our distinguished guests from China; our Australian business people, both those based here in Shanghai and the survivors of our mission - five cities in five days - this is our sixth city in six days.

And finally could I also make a special mention of Mr Feng from MofCom, and about whom I will have something to say very shortly.

It is my pleasure to inform you that today is Mr Feng's birthday. And in a departure from established protocols, I wish to sing a song for you for Mr Feng. It is well known and it goes like this:

[sings "Happy Birthday"].

Three cheers, too, for the Australian share market, which has continued its rally today.

Indeed, in these turbulent financial times, it is a pleasure to wake up here in Shanghai in relative tranquillity.

Compared with what has been happening around the world, Australia and China appear to be in a sea of tranquillity.

But that is not to say that either China or Australia are completely protected from global financial turbulence; it is just to indicate that compared with most other countries, we are very well positioned in this the early part of the 21st Century.

Some commentators in Australia have said that it is a matter of good luck that Australia is so deeply engaged with China, a large and rapidly expanding market.

That analysis is wrong. It is not good luck; it is as a result of 25 years of good management within Australia and within China.

And as we contemplate the stability that decades of engagement between our two countries through visionary leadership has brought, we can feel mutually optimistic that our shared future is a bright one.

Our trade mission, spanning five cities and now a sixth city in six days, has been a fascinating one and extremely rewarding for all of the businesses that have joined our delegation.

Dubbed the China 2.0 trade mission, it has a simple mandate: as China becomes wealthier and its cities expand rapidly, its economic model is shifting from an export-oriented one to an economic model based more on domestic consumption.

This opens up new entrepreneurial opportunities between our countries.

Of course, we expect that China will continue to buy Australian raw materials such as iron ore and energy. But we also believe that China's growing middle class will seek a greater range of services as spending power increases and lifestyle demands become more sophisticated.

The messages we have received throughout our mission is that China is ready to do business. Of course, Australia is ready to do business as well.

And as part of that preparedness, we owe a great deal to the rude health of the financial services industry.

One of the defining features of Australia's economy is the size, strength and diversity of its financial services industry.

Surprisingly for a nation renowned for its mining industry, Australia's financial services industry is the largest single contributor to national output, accounting for about 10 per cent of Australia's GDP.

This actually makes the financial services industry bigger than Australian mining and agriculture combined.

And it is true that the financial services industry owes a lot of its good health to the resources boom, and the surge incomes directly and indirectly generated by mining.

It is a source of real pride in Australia that our four big banks each are AA rated, which makes them four of only nine banks in the world that have that rating or better.

Australia's financial services industry is also internationally oriented and is becoming more so, expanding around the world and especially into the Asia Pacific region.

And, conversely, the world's biggest financial institutions - including those from China - are making their presence felt in Australia. Indeed, 20 of Forbes magazine's top 25 global banks have offices in Australia.

And what those banks find in Australia are huge financing opportunities, a large pool of savings, a solid regulatory environment and an entrepreneurial class buzzing with new ideas.

Thanks to reforms in the early 1990s, Australia has the Asia-Pacific region's second largest pension fund industry after Japan. In fact, according to Towers Watson's 2011 survey, Australia's US\$1.3 trillion pension fund pool is the fourth largest in the world.

During a visit to Shanghai in May I also spoke of the possibility that Australia's financial regulatory system could offer some good ideas to China as it sets about designing its regulations.

And today I'd like briefly to broaden my discussion to talk about the features of our financial services industry and how its international outlook can be of benefit to foreign investors.

Australia's securitisation market is the largest in the region, and growing again after the global financial crisis.

Australia boasts the second-largest project financing market behind India, with US\$14.6 billion worth of deals struck just last year alone.

Australia has one of the three-largest mergers and acquisitions markets in the region, as is its equity market second only to Japan's.

The future of financial services trade and investment between Australia and China is a very bright one.

China's top five banks have opened offices or branches in Australia. And likewise, Australia's four pillar banks have all established a presence in China, along with the Macquarie Group.

As China focuses more on domestic consumption, we see opportunities for investment and closer collaboration, especially in areas where Australian financial expertise can contribute to the development of China's financial industry and wealth management.

Our financial institutions have accrued extensive experience with private infrastructure financing and public-private partnerships.

That expertise covers toll roads, airports, railways and shipping, communications, power, gas, water, education, health and housing.

Australian expertise is contributing to the development of China`s financial services industry, both at the level of policy and through the sharing of private industry skills.

Financial services trade will continue to facilitate the strengthening of the commercial bonds between our two countries.

Several memoranda of understanding have already been signed between Australia and China, such as those between the Australian Securities and Investment Commission and the China Banking Regulatory Commission, and also between the Australian Securities and Investment Commission and the China Securities Regulatory Commission.

Austrade`s excellent report into the Australian banking industry - the Chinese edition of which I am happy to launch here now - provides a roadmap for those interested in the structure and capabilities of Australia`s financial services industry.

Through collaboration in our financial services industries, we can ensure that the relationship between Australia and China continues to go from strength to strength.

Thank you.

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