



**The Hon Dr Craig Emerson MP
Minister for Trade**

Speech

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Australia and the Commonwealth
in the Asian Century**

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Australia can become a springboard into China. This was an idea that Bob Hawke and I discussed at a meeting at the Lodge with leading Australian businesspeople who had strong links to Europe.

At that time, back in 1986, I was a newly appointed economic and trade adviser to the Prime Minister. China had just begun opening up its economy and Hawke had been engaged in long conversations with Deng Xiaoping and other Chinese leaders about their intentions for a return of China to a position of economic dominance it had enjoyed, with India, for a thousand years before the Industrial Revolution.

Australia as a springboard for European businesses into China was, on reflection, an idea before its time. In those early years its degree of difficulty was in the vicinity of 4.8 – a reverse, four-and-a-half summersault in the pike position from a three-metre springboard.

The reason was that in those early days of China's opening, Australian businesses themselves were only beginning to familiarise themselves with doing business in China, performing off the one-metre board.

But a version of this original idea is well worth reviving. Here, in the second decade of the 21st Century, Australia can be a springboard into China for businesses such as those represented today.

Of course, lots of international businesses successfully invest directly into China and don't need or seek support from Australia in doing so.

But consider this: Commonwealth countries share language, legal systems and a tradition of doing business with each other. Despite its disparate make-up, the Commonwealth is like a large family. Familiarity makes for ease of partnership and easy communication.

Australia is in the same time zone as China and, as a sure sign of Australia's economic stability and resilience, we were one of the very few major advanced countries to avoid recession during and in the aftermath of the Global Financial Crisis.

Major overseas investors with whom I have had discussions as Trade Minister have commented favourably on Australia's performance in avoiding recession when so many other countries succumbed to it.

Australia, then, is an agile, investor-friendly springboard into China, a country with which it has been engaged commercially for a quarter century.

The concept can be taken further by embracing this proposition: investing in Australia can be a proxy for investing in China since Australia's economy is so closely integrated with China's economic transformation.

Australia has over the past 25 years developed its own economic structure and focus in sync with the economic transformation taking place in China.

In August I led a 100-strong service industry business delegation around some of China's biggest hinterland cities.

Apart from opening our eyes to the phenomenal pace of urbanisation under way in the country's interior, the trip gave us an insight into the future shape of the trade relationship between China and Australia.

Minerals and energy, which currently account for most of Australia's exports to its giant northern neighbour, will always be a big part of the relationship.

But as China moves away from an export-led to a consumption-led growth model, demand for the type of services offered by the businesspeople on my recent trip can only grow.

Education, tourism, financial services, urban planning and environmental remediation – these are the exciting new service areas in which Australians and Chinese are starting to do business.

Recognising the opportunities presented by this new development phase in China and the wider region, Australian Prime Minister Julia Gillard recently commissioned a White Paper to explore how Australia can make the most of this transformation.

Because while our energy and mineral resources continue to fuel China's rapid urbanisation, Australian businesses are also well positioned to provide those things needed or desired by the burgeoning middle classes of China's new cities.

In the Prime Minister's words, "They will fill those apartments with high-end manufactured goods, dine on clean, high-quality produce and drink premium wine.

"They'll look to countries like Australia for tertiary education and for technical skills. They'll travel in new ways, seeking new custom-made holiday experiences, and they'll want sophisticated financial advice and the benefits of the world's best medical services as well."

Australia is in the right place at the right time.

We are in the Asian region in the Asian Century.

It didn't happen by accident: with our Commonwealth heritage and strong links to traditional partners, we could have struggled to imagine ourselves in Asia.

We could have clung to industrial structures of the past and refused to reform and open up our economy to the world.

But Bob Hawke foresaw the Asian Century – and Australia started working to lock itself into the region's brilliant future.

Hawke, in his long talks with Deng Xiaoping, knew that Australia could not be part of the Asian Century if it held onto its ossified economy, built on the crumbling foundations of colonial preferences and insulated from Asia by high import barriers.

He knew that a century of protection had given us an inefficient, high-cost manufacturing sector.

The only way those industries were surviving was through the protection afforded by ever-higher tariff walls.

When Asian imports began appearing over the top of tariff walls they were repelled by government quotas on the quantities of manufactured goods that could enter the country.

It was a false economy, one in which this country paid the price of protection for no enduring gain.

Hawke's historic reform was to dismantle that protection, to take the risk and open us up to our competitors and partners in Asia, to create here a flexible, open economy that had the agility to adjust to change coming from the outside world.

We would not be as engaged with China today if we had not undertaken those reforms.

Of course, Australia's experience is only its own.

China's rise represents a shift and a challenge for all Commonwealth countries.

India, the Commonwealth's largest country, is a case in point. Like China, India is a critical part of the Asian Century.

Also like China, it has a large population, its economic growth rates are transforming its economy, and it is a major trading partner for Australia.

However, India leapfrogged the establishment of a mass manufacturing exports base, and instead much of its economic strength has been built on its vibrant services sector.

In some cases, Australia has been able to work with China in developing resources in third countries – like Australian company Sundance, with its Mbalam iron ore project in Cameroon.

Like other projects in Africa, it draws on Chinese finance and construction strengths.

Positioning Australia and other Commonwealth countries well in the Asian Century requires a comprehensive, coordinated plan of action.

It involves widening the vision for Australia from a reliable supplier of mineral and energy resource security needs to a services supplier. And Australia is well-positioned to help China with food security.

Food security is an issue close to the heart of many Commonwealth countries.

Africa has been the emblem of ongoing food insecurity for decades.

Around the world one billion people already go to bed hungry every night – close to 50 per cent of them in Commonwealth countries.

With nine billion people expected to be living on Earth by the year 2050, food security is a pressing international challenge, and it will pose questions for China as much as any other country.

It is entirely possible that the quest for food security will become one of the defining issues of the 21st Century.

Apart from any increase in its population, China's own food security will also come under pressure from its growing wealth.

Economic history shows that as nations industrialise and their citizens become more affluent, they demand more protein in their diet and more high quality foods.

There will be significant opportunities here for food producing countries, like Australia and other Commonwealth countries.

There will be opportunities for some of us to work together – to bring together different skills, technical capabilities and experience in meeting food security needs and expanding production to take advantage of rising Asian prosperity.

And here again, I propose Australia as a springboard to China.

With its sophisticated capital markets and top-quality banks, it is somewhere to base financial operations for the region.

With its expertise in agriculture and mining, Australia is a partner with which to develop the food and minerals to feed and fuel Chinese growth and development.

Our early engagement with China in services also represents opportunities for partnership with, or just simply advice to, our Commonwealth brothers and sisters.

For many Commonwealth countries, significant development challenges remain. These may need to be dealt with before countries can take full advantage of the opportunities that China has to offer.

That's why I led the trade mission to China in August: to continue to build our engagement with the country, particularly the phenomenal growth areas of some of the second tier cities.

We are endeavouring to ensure that Australia is well positioned to take advantage of the new affluence coming to China and its neighbours.

Here today I invite you to be part of this exciting new venture in the Asian region in the Asian Century.