

# AWIC 2016 - PLENARY REMARKS TRANSCRIPT

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## AUSTRALIA CHINA BUSINESS COUNCIL

My introductory remarks today is that if the old mistake was to underestimate China's rise and dynamism then the new mistake would be to over-estimate the extent of China's new norm, the slowdown.

The IMF predicts that China will grow by 6.3% in 2016, that's almost double, of course, the latest IMF predictions for the world as a whole of 3.2%. At the recent National People's Congress in Beijing the government, as you know, announced a commitment to keep growth at 6.5% right through to 2020. And we need to put 6.5% in context.

As was pointed out at our recent Canberra networking day, ACBC networking day in Canberra, every percentage point of GDP growth today in China is worth 2.6 percentage points a decade ago. And so even if China was growing just 6% today, it'd be 15% plus a decade ago, and I think we'd be jumping up so high we'd be just about hitting the roof.

Another way of thinking of it obviously, China's base is so much larger - so much larger; 6.5% today off an economic base of US\$11 trillion is about \$700 billion of new global economic growth. A decade ago it was 10% off the base of \$3.2 trillion or \$320 billion. And if you think about the next five years and the compounding of growth through that period, it means that in the next five years China will add around US\$4 trillion of new economic growth to the world economy and all of that represents immense, immense opportunity for Australia.

I was meeting yesterday, one of the many meetings I had yesterday, another way of looking at this (and no offence to any New Zealanders who are here today) but China's growth is so profound that every 90 to 100 days they are creating a new New Zealand economy and all of that is opportunity for Australia.

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I guess one of the other points is that, as important as the rate of growth is, the composition of that growth is also critical to Australia. The ANZ predicts that by 2030 95% of China's population will be middle class and this will lift consumption as a share of GDP to more than 50%. So currently it's about 36%, it'll shift to more than 50%, again, that's all great economic opportunity for Australia.

This brings me, of course, to ChAFTA. At the ACBC we were strong and vigorous supporters of ChAFTA. Put simply, there couldn't be a better time for Australia to have signed a free trade agreement with China. It's an immense opportunity for Australia, and I think more generally, if you think about the Australian economy in transition and think about the free trade agreements - Korea, Japan and China all together - I've said this before and I'll say it again, in my view it represents the largest single economic opportunity for Australia in the years ahead.

Of course under ChAFTA over 85% of the value of Australia's goods exports to China will now enter duty free, rising to 93% after four years and 95% when ChAFTA is fully implemented.

And of course ChAFTA, as we've heard from the Minister, is particularly good news for Australian businesses that can provide the goods and services that a growing economy needs.

In food and agriculture, for example, we know that there's huge growth potential and particularly as e-commerce opens the way for smaller businesses right across Australia, whether you're in Tasmania or northern Australia, it opens the way for those smaller businesses to the whole Chinese market. As Jack Maher, very fond of saying, I'm fond of quoting, in the US and Europe e-commerce is the dessert, in China it's the main course, and it's so true.

If you want one example of just the power of e-commerce, Ali Baba Singles Day 11/11 2014, US\$9 billion of sales; 2015 US\$15 billion of sales. This year, of course... Last year they opened up Ali Health, Chemist Warehouse in Australia first day, 11/11 last year, in 46 minutes RMB100 million of sales. That's the power of the Chinese consumer.

In health services, now one of the largest and most profitable sectors in the global economy, we're fond of criticising our health system in Australia. The reality is that most people everywhere else in the world see our health system as arguably the best in the world, and so the opportunities from R&D to training, we heard about the need for 9.5 million aged care workers to be trained and millions of nurses. Hospital and care facility construction, medical devices, e-medicine, health systems design, preventative health programs and the list goes on.

In education, we already do pretty well in education, but last year China graduated seven million university graduates and I'm sure that many of them would love to study in Australia or love to do a joint degree in Australia.

In financial services we heard yesterday in Shanghai, here in Shanghai, great opportunities. PPPs, infrastructure funding, retirement saving systems, and then, of course, there's tourism and all of the upside for Australia through our lower dollar, the numbers that the Minister mentioned in his remarks. Think of tourism today, 100 years ago it was vagabonds and then it was travellers and then it's

tourists and now it's the visitor economy; it's the biggest economy in the world. I was given a statistic yesterday which I believe to be correct, is the question what percentage of the Chinese population has a passport? And the answer is somewhere between 6% and 10%. So if you think last year they knocked off Germany, more international travellers than any other country in the world and they're doing that on a passport base of less than one in ten, imagine that shift to the middle class and what it's going to mean. The challenge for us in Australia will be, as the Minister said, are we good enough to provide the product and the services and the quality that the Chinese consumer will demand.

Just to finish up before I move to Jing, in all of these areas, brand Australia is highly recognised in China and yet, as we all know, much more is required to capitalise on these opportunities. The ACBC is very proud in partnership with the AusChams to play a role in promoting more trade and investment with China. We know the economy is rebalancing and one of the things the ACBC is doing in partnership with ShineWing, we've commissioned the Monash Business School Centre for Financial Studies to explore exactly what this rebalancing will mean for the future of the Australian economy. So not a backward look but a forward look in terms of what it will mean. The report will be released in a couple of months' time but several of the key conclusions are clear, and the biggest one is that China will become much more significant to the Australian economy in the years ahead.

The first big observation is that service exports to China could rise from 14% to 25%, one in four dollars of our Australian total service exports. Education exports could rise to 40% of the total; tourism to between 30% and 40%, and financial services to 25%. And yet, as we know, less than 10% of businesses in Australia currently do trade with China. So obviously that has to change. We need to raise the profile of the opportunities available for Australia and China and that's what AWIC does.

Finance can also be an issue for exporters. In this area ACBC is working in partnership with EFIC to help businesses overcome these challenges, and EFIC is here today. Business opportunities for China will be further enhanced as Australian businesses take the important step of adopting the RMB for trading and investing. Australian companies have been slow to adopt the RMB; many don't have the knowledge to do so. That's why the ACBC, in partnership with Austrade, have partnered with the Commonwealth Bank of Australia to provide the first ever practical guide for corporates in China or those transacting with China to include RMB in their business strategies. We're also at the moment working on a major project with PwC to explore further opportunities in trade and investment.

So we're working, obviously with government, with Austrade, with all of those partners and with you as businesses to get the message out that the economic and social changes underway in China mean immense new opportunities for our nation. That's what we're going to talk about now with Jing Ulrich. Jing is the managing director and the vice chairman, as I've said, of Asia-Pacific at JPMorgan Chase. She provides strategic advice to some of the world's leading companies and investors. She's educated at Harvard and Stanford Universities, she has received a huge number of accolades. She's been ranked four times, I think, as Fortune Magazine's 50 Most Powerful Businesswomen. Forbes named her one of Asia's 50 Powerful Businesswomen, named her amongst the 100 most powerful women in the world. She has served on the G20, the B20 Trade and Investment Task Force, as well

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as the Multinational Committee of the APEC China Business Advisory Council. So I don't think we could get anyone better to talk about China today, the Chinese economy, the transformations underway, what it will mean for Australia and the rest of the world. So please welcome Jing Ulrich.

[APPLAUSE]

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