China Matters Inaugural Young Professionals Meeting Summary

15 November 2016, held at the Australian Centre on China in the World, ANU

The China Matters Inaugural Young Professionals brought together exceptional individuals from business and the public service to discuss specific challenges facing Australia's relationship with China. The two topic sessions resulted in the formulation of policy recommendations for the Australian government.

Session I: How should Australian businesses respond to China's regional ambitions?

There were two main streams of thought in Session I, generally divided along the perspective of business and government. Participants from the business community argued that trade trumps politics and economic implications are integral to Australia's national interests. Those from a security perspective argued that there must be regional stability in order to create a climate for economic success and Australia should do everything it can to maintain the current global order.

There was disagreement about China's willingness to employ economic sanctions. Some believed it unlikely China would impose economic penalties as it does not suit its interests. Others stated that even if China did so, Australia could withstand these economic sanctions; one cited China's ban on Norwegian salmon exports as an example.

One participant argued that China's behaviour can be explained as simply defending itself in order to protect trade routes in the Asia-Pacific. This was refuted by others who argued that China is aggressively seeking to fundamentally change the regional order.

All participants agreed that a dialogue between business and government is urgently needed. Several people argued that government and business leaders do not understand China; that the corporate sector does not understand strategic risks and that there is a lack of China- or Asia-literate staff in Australian companies. One participant noted that bilingual or bicultural skills or international experience are not highly valued in Australia and thus there is no incentive to enhance these skills.

Participants agreed that business and government often speak past each other. Businesses need to tell meaningful stories about experiences on the ground in China that speak to policy-makers and the broader community. By the same token the government needs to better explain the importance of maintaining the current global order and relate it to commercial implications for business. There was disagreement about whether the onus should be on the private or public sector to lead the debate on China and which one is currently at the forefront.

Policy Recommendations

1. Business and Government need mechanisms for increasing dialogue and developing China strategies such as working groups to exchange perspectives on China's economic and strategic behaviour. Valuing and developing these skills now is a long-term investment in our social capital to help better position Australia in the Asia-Pacific region.

2. To build greater understanding of China, business and government need to value staff with bilingual/bicultural skills and international experience. This will incentivise Asia-literacy.

Session II: What should be done to ensure that PRC investment does not compromise Australia's national interests?

The key point of contention in Session II centred on the Foreign Investment Review Board (FIRB). While there was some frustration regarding FIRB (particularly from business), there was broad recognition that FIRB has comprehensive processes in place; consults widely with government agencies; and has an extremely high approval rate of investment bids. Participants were most concerned about what appears from the outside to be a 'black box' in decision-making: cases which are handed-over to the Treasurer and seem to go from being procedural to political in nature.

Participants unanimously agreed that changing the public discourse on Chinese investment in Australia is key. Business and government need to better communicate the economic benefits of Chinese investment in terms that can be understood by the average Australian. FIRB must better explain the consultation process of *how* decisions are made if it cannot disclose *why* decisions are made. Participants noted that non-discrimination was one of FIRB's key principles and as such a 'negative list' would only deter investors. Assessing risks on a case-by-case basis was cited as the most effective method and this approach should be maintained.

Participants generally agreed that community concerns about Chinese investment tend to stem from public fear and anxiety more than genuine risk. Some linked this to each new 'wave' of investment, looking at the US and Japan in the past, arguing this fear would dissipate over time. Others stated that Chinese investment cannot be compared to Japanese investment; the opposition to Chinese investment is symptomatic of a broader antipathy towards China.

One participant stated that smaller Chinese investors find it difficult to access information about the Australian system. Information must be published in Mandarin to help investors understand all of the requirements. Others said that FIRB could improve its advice to Australian states and territories and AusTrade, so that they in turn could better advise investors.

Several participants stated that increased knowledge sharing is needed between Chinese and Australian businesses. Chinese companies in Australia should better engage with Australian communities and appoint local staff in order to better understand the market and offer local employment.

Policy Recommendations

1. FIRB, Treasury and the Cabinet need to embark on a 'change management program' to bring about a cultural shift in the way Chinese investment is marketed and communicated to the public. Shifting public discourse requires an inter-governmental approach based on proven change management models to identify key fears or myths and strategies to address them.

2. Treasury should commission a private sector report that calculates the consequences of 'sovereign risk' to foreign investment and discusses how to minimise this risk. For example, if foreign investors are discouraged by the current process, how much capital is at risk over the next decade and how many jobs would be lost as a result?

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