

A new China narrative for Australia

Submission by Penny Burt & Mukund Narayanamurti

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We commend you for the initiative you have shown in taking steps to articulate a new narrative for engaging with China. We appreciate how the narrative aims to consider the views of a broad range of sectors and provide a balanced view of the various motivating factors for a stronger relationship between Australia and China.

Thank you for the opportunity to comment.

Overall, the narrative needs to strengthen its recognition of the economic influence of China on our nation and the untapped potential for Australia with the Chinese market. Emphasis on China's economic influence will be even more critical, given the stated objective in the draft to move away from an exclusive security prism.

First, while China is Australia's top export partner, the Chinese are not just buying our resources as a customer, but often owning or co-developing resources in Australia, for example; coal, iron ore, natural gas, copper and gold. The breadth of Chinese investments in Australia needs to be recognised. Chinese investments now span energy, mining, infrastructure, agribusiness, health and wellness, property, and tourism infrastructure, to name a few sectors. The Chinese are used to working with our standards, rules, bureaucracy and political system. This is generally done very effectively. Recognition from a new incoming Prime Minister of this track record would be a strong endorsement of the relationship.

Second, the Chinese have been the largest source of Foreign Investment Review Board applications for several years now, and their stock of FDI has grown considerably over time to be in the top ten. From 2005-2017, Australia has been the second largest recipient country of Chinese FDI after the United States. The Chinese value investing in Australia. We need to make every effort to continue to increase the attractiveness of our market to Chinese and other foreign investors.

Third, the draft narrative highlights the need to grow the China-capabilities of policymakers and those serving in politics. We strongly agree that this is required, but this narrative needs to go deeper. A growing opportunity remains in the services sector which needs to be coupled with a willingness to invest in China. Our understanding of how to do business in China, not just with the Chinese on our shores, will be critical going forward. We need to continue to invest in building the China-capabilities of the Australian business community and its leadership.

Fourth, the Australian Government should develop a long-term China economic strategy, like DFAT's India Economic Strategy to 2035, to articulate the long-term economic benefits of engagement. CHAFTA is a high-quality FTA, however, it is not a national economic strategy. The

economic strategy for China should articulate what the outbound investment opportunity is for Australia in China. With Australia investing just under ten times in the US relative to what it is investing in China – the need for greater outbound investment is lacking in the China debate in Australia. A national economic strategy is an essential instrument to achieve the stated objective in the draft narrative of going from a transactional relationship to one of engagement.

Finally, regardless of sentiment in certain quarters of the Australian community, a new narrative requires some recognition of China's Belt and Road Initiative, reflecting on areas that touch on foreign policy, security and economic spheres.

We would welcome further discussion on the excellent draft China Matters has developed and would be delighted to meet and further discuss any points raised above to help progress this important new narrative.

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