



## **ACYD Beijing Gala Dinner**

David Olsson, Chairman, AustCham Beijing  
20 October 2012

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Ladies and Gentlemen

It is a pleasure to be with you tonight at the end of your first full day of the Dialogue.

On behalf of the AustCham, I would like thank Henry Makeham, Dominic Meagher and the ACYD team for the invitation to be present tonight. I'd also like to acknowledge in the audience my fellow directors Rob Campbell and Peter Grogan and Aimee, Stevan and JJ from the AustCham team who have worked so hard with the preparation for tonight's gala dinner.

AustCham is proud to be one of the supporters of the Dialogue. Dialogues such as this are important. Not only because they provide a platform for fostering stimulating and informed debate, for sharing ideas and insights, and for taking a long-term view on the Australia China relationship, but also because they inspire individuals that are motivated and hungry to be players across all fields of endeavour in the Asian Century – our next generation of leaders.

On behalf of the Board of AustCham, I pass on our very best wishes for a successful week of activities.

### **AustCham and ACYD**

For those of you that don't know us well, AustCham is a not-for-profit organisation that represents and supports Australian business in China. We work closely with the Australian Embassy and Austrade, but are independent of government. We operate through Chapters in Beijing, Shanghai, Guangzhou and we hope soon to have a new chapter in Chengdu. We have nearly 800 corporate members on the Mainland and, with AustCham in Hong Kong, we have nearly 2,000 members. Numbers are growing regularly reflecting the growing Australian business interests in China.

We have three core streams of activity:

1. we provide information and intelligence to members about the business operating environment;
2. we run a range of networking and business events and initiatives; and
3. we promote Australian interests to the Chinese and Australian governments through representation and advocacy.

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While our primary goal is to help Australian companies succeed in China, we are also working closely with Chinese companies who want connections into Australia and to learn more about the Australian business and regulatory environment.

To do all of this we collaborate with many other organizations as we are a firm believer in the “power of together” – that much can be achieved by working closely with other organizations that share similar goals. To that end I’m delighted to say we have MOUs with organisations such as the Australia-China Business Council, the Australia-China Alumni Association and, importantly, the Australia-China Youth Association.

Let me say a little about how AustCham’s relationship with ACYA came about.

My first introduction to the ACYA team was (surprisingly) not through Henry, but through Michael Ting in late 2008. Michael was a young law student studying in Beijing who was wanted to chat to me about possible career opportunities. We met and got along well.

Not long later Michael set me an email saying he’d like to introduce me to a couple of friends, Henry Makeham and Andrew Nicholls, to talk about a new organisation that they were founding - called the Australia-China Youth Association.

*He said “it will be an organisation primarily based on a website that will be dedicated to unlocking opportunities for young Australians and Chinese through careers, education and people-to-people exchange.”*

We met in a Starbucks coffee lounge not far from here in early 2009. They showed me their draft “Pitch” document and we talked about the opportunities, challenges and risks for the organisation.

That was just over 3 years ago. From its roots as a web-based organization we now have a vibrant, multi-dimensional, truly bi-lateral organisation that has resulted in the creation of an annual Dialogue that has the capacity to attract high quality delegates, and speakers of the stature of tonight’s guest speakers, Ms Jing Ulrich and Professor Justin Lin.

AustCham believes in the power of this organisation and its people. That’s why we signed an MOU last year to further the ways in which we can collaborate together.

If anyone ever had any doubts about our future is in safe hands, seeing ACYA in action will quickly dispel those fears.

### **Economic transformation and governmental reforms**

Let me turn to the topic – “Economic transformation and governmental reforms”

Now it is true that I have written a little about this topic in my capacity as Chairman of AustCham’s Financial Services Working Committee and in my role at King & Wood Mallesons, but as you are about to hear from Prof Lin (one of China’s leading economists and a legendary

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Chinese scholar) and Ms Ulrich (the doyen of the foreign banking community in China), sometimes the best judgment call can be to say nothing, especially in this case.

So instead, let me talk about the challenges that we face, the need to maintain our efforts around on-going structural reform and the important role that you - the delegates - can play in participating in the evolution of the regional and global economies.

### **The challenges ahead**

The strength and promise of Australia and China lies in the complementarity of our economic relationship and our people-to-people connections – across diverse fields such as education, academic research, science and technology, the arts and sport.

We are now several decades into a journey that is transforming the world. The global economic re-weighting from the West to the East has taken Australia and China on individual journeys which have brought great economic prosperity to both nations.

Equally the changes we are witnessing are bringing with them challenges which will test the capacity of governments, businesses, organisations and individuals around the region.

Australia is blessed with its natural endowments - its minerals and energy resources and vast agricultural lands. But we all know that this is not going to be enough to sustain the nation in the years ahead. Australia must build on its core strengths – the skills and talents of its people, its diversity, its well regulated financial markets, and the rule of law – to take advantage of the emerging opportunities.

Dealing with change is not new to Australia. We've been adapting to changing markets and economic conditions for the last 200 years and by and large have done that very well. Australia's economic policy and governance framework has been the foundation for our current good economic performance.

We are now in our fourth decade of structural reform in Australia. The reform has often been implemented in tough economic circumstances. It has been underpinned by a floating exchange rate that provides a shock absorber for the economy; the removal of domestic protection and opening up of the economy, and an openness to foreign trade and investment.

There is still a lengthy list of matters still to be attended to meet changing economic circumstances: increasing productivity, labour market reform, moving to an economy that is less reliant on mining and resources. It will not be easy. How we handle the emerging pressures will be a guide to our future success.

China also faces huge challenges. It has complex needs: a better social security net, better capital allocation, local government reform, hukou reform, cleaning up the environment, as well as the looming issues around food, water and resource security.

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The challenges and priorities are laid out clearly in China's 12<sup>th</sup> Five Year Plan. It emphasises the importance of boosting domestic demand - especially consumer demand; boosting the services sector share of GDP; reducing social inequality; and achieving targets for minimum wages and overall income growth.

China's history over the last 30 years has demonstrated its ability to effectively design and implement policies that bring about strong economic growth - resulting in hundreds of millions of people being taken out of poverty and increased living standards.

Some of the early results of the current Five Year Plan are encouraging, but the market mechanisms and the political will to achieve them need to be developed and applied. And like many western countries, success will require China's leaders to tackle stubborn vested interests.

Moreover, in managing these reforms and transitions China will need to maintain solid economic growth and avoid further increases in inequality, while operating in an international environment likely to be characterised by slow growth in major advanced economies and on-going economic uncertainty and volatility.

The leadership transition is an added complication. The next generation of leaders will need to walk a fine line between maintaining stability and positioning China for continued sustainable growth. That also requires the new leadership to decide how to deal with China's relationship with the United States and the tense territorial disputes with Japan and the Philippines.

Will the new leaders take China in a new direction? It's possible. Wen and Hu emerged from a period when China was closed to the world. Xi and Li are younger and have seen the benefits of trade and openness – the early announcements and catch phrases may provide some pointers as to future direction.

Looking more broadly, the path of strong economic growth in the region is volatile, reflecting the vulnerabilities of economies in transition. Policy makers around the region will face a multitude of challenges. These include responding to the underlying causes of market failure, lack of institutional capacity and worrying signs of national protectionism.

How do we maintain the needed momentum around on-going reform?

Much of the commentary to date has been focused on dealing with the scale and pace of change. But this is now not just a story about size and speed - it's a story about a new model for Asian growth, and how this affects growth in Australia and globally.

It's about long term policy choices of countries in our region, the regional institutions that regulate financial markets and the shape global governance.

It's a story of an aging population, of increasing domestic consumption, productivity improvement and the competitive dynamics of global markets. And it's story of urbanisation in our region – particularly in China.

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All too often the long term story of Asia's rise is viewed through the prism of quarterly or monthly GDP figures or daily movements in commodity prices and glib commentary that is flashed around the newswires faster than it can be written.

Much of this misses the point. The prospects for our region are underpinned by powerful economic forces – tectonic like - slow moving but profoundly altering the global landscape. The quality of our lives will depend upon how we deal with changes arising from:

1. urbanization and industrialisation - which will continue to drive demand for minerals and energy;
2. changing diets of China's middle class and the need for safe and reliable sources of food and water; and
3. increasing demand by the burgeoning middle and entrepreneurial classes for high-quality products and services, particularly education, tourism and business services.

All of these are inter-related. To take advantage of the opportunities will need a concerted and coordinated push from governments, business and the entire community to fully connect across the region; to develop and integrate markets in a way that balances the needs of individual countries but recognises the importance of international trade, investment and institutions. No one should be under any illusion that this will be an easy task.

### **The next generation**

One of the themes that will come out of the soon to be released Asian Century White Paper is the need for Australians to become more "Asia-literate" and for businesses to be "Asia-ready".

I'd like to extend that proposition and say that the future prosperity of China, Australia and the region will be underwritten by the skills and attitudes of all our peoples and their combined creative ability to address the challenges that lie ahead.

ACYA, through this Dialogue and its other initiatives, is playing a very important role in providing insights and understanding, and forging deeper and broader relationships at all levels.

The result is that such relationships will help us to find new ways to operate and connect across borders and ultimately to contribute to a more secure and sustainable region.

So, in conclusion, I wish all the delegates great success and look forward to seeing their names on the roll-board of the movers and shakers in Asia and globally in the years ahead.

Thank you.