

Media Roundup Issue 10 (04/03/17 – 10/03/17)

1. Australia's extradition treaty with China a done deal

04/03/17

Rowan Callick
The Australian

The federal government is preparing to sign a binding extradition treaty with China, in a deal that has been a decade in the making.

Malcolm Turnbull and his Chinese counterpart Li Keqiang are expected to discuss the fine points of the treaty when the Chinese Premier visits Australia this month.

The government's decision to pursue the deal follows the recommendation of a parliamentary committee. But Labor's Michael Danby, the deputy chairman of the committee, said yesterday that he was confident the Senate would instead back the recommendation of the six Labor members of the committee to delay ratification.

Read More (Paywall):

<http://www.theaustralian.com.au/national-affairs/foreign-affairs/australias-extradition-treaty-with-china-a-done-deal/news-story/212113b21f419c39268f37a279c56a94>

2. Why China's work report is more important than Australia's federal budget

05/03/17

Angus Grigg
Australian Financial Review

Looking through the platitudes and Communist Party rhetoric which inevitably filled Sunday's annual speech to parliament by Chinese Premier Li Keqiang, Australians should feel relatively comfortable.

While the "work report" receives scant attention compared to America's State of the Union or our federal budget, it is arguably far more important for Australians.

The stellar fourth quarter growth numbers reported by Canberra on Wednesday had their origin in Mr Li's work report this time last year.

In that speech, Beijing signalled it would be going for growth and in doing so triggered an unexpected rally in commodity prices that 12 months later delivered Australia its biggest boost to national income in 6½ years.

So those thinking about what the year ahead might hold for Australia could do worse than consider the plan Mr Li laid out for China on Sunday morning.

Read More:

<http://www.afr.com/news/world/asia/why-chinas-work-report-is-more-important-than-australias-federal-budget-20170305-gur4pp>

3. China's new power elite as Xi plans longer leadership

05/03/17

Geoff Raby

Australian Financial Review

In the fog of Trump, with media running from one provocation to the next, sight is lost of a much more serious, albeit boring, event taking place in China. Meetings that have just started in Beijing will set the stage and policy directions for the all-important 19th Party Congress, expected to be held in the northern autumn this year.

These will be the last in President Xi Jinping's first five-year term. Over the next three weeks, the People's Political Consultative Conference – where retired Party grandees, Red Capitalists (the rich entrepreneurs who have joined the Party) and fellow-travellers from Hong Kong and Taiwan – and the more influential National People's Congress (NPC) will be in session.

Read More:

<http://www.afr.com/opinion/columnists/chinas-new-power-elite-as-xi-plans-longer-leadership-20170305-guqy1q#ixzz4aW77HKec>

4. Still hope for TPP, but not without engaging US: Robb

06/03/17

Sue Neales

The Australian

Former trade minister Andrew Robb has warned politicians from around the globe not to try and resurrect the President Trump-dumped Trans-Pacific Partnership trade deal without US involvement.

Mr Robb said that for Australia, the loss of the TPP was not so grave, since ironically the US had been set to be the biggest beneficiary of its multilateral trade concessions.

The highly successful trade minister in both the Abbott and Turnbull governments said that without the TPP, some of the benefits enshrined in the three free trade agreements signed by Australia with Korea, Japan and China under his oversight, gave Australian farmers, exporters and service businesses even more beneficial treatment for longer.

Read More (Paywall):

<http://www.theaustralian.com.au/business/still-hope-for-tpp-but-not-without-engaging-us-robb/news-story/57fb12f79956d859eaf818483e44985b>

5. China talks up push to create 11 million jobs

06/03/17

Rowan Callick

The Australian

China's Premier Li Keqiang yesterday indicated the government would this year continue to walk its economic tightrope, both standing firm in not adopting strong stimulus policies and continuing to give top priority to creating jobs.

Mr Li, in his two-hour "work report" to the opening of the annual session of the National People's Congress, said this year's growth target of 6.5 per cent — down from 6.7 per cent achieved in 2016 — "is realistic and in keeping with economic principles".

He said world economic growth remained sluggish and both the de-globalisation trend and protectionism were growing, while China was at a crucial and challenging stage in its own development.

Mr Li stressed China would uphold the multilateral trading regime as the main channel of international trade and would play an active role in multilateral trade negotiations, including hoping to conclude the Regional Comprehensive Economic Partnership “as soon as possible.”

Read More (Paywall):

<http://www.theaustralian.com.au/business/economics/china-talks-up-push-to-create-11-million-jobs/news-story/fb2ee754aa7133d491b72749291dd59d>

6. China's big avocado farm purchase in question

06/03/17

Sue Neales

The Australian

A large Chinese pig, poultry and stockfeed company, Shenzhen Kondarl, has told the Shenzhen stock exchange it is close to finalising the purchase of Australia’s biggest avocado farm for as much as a billion Chinese yuan (\$192 million).

But Neil Delroy, the Australian owner of Jasper Farms at Busselton, Western Australia, told *The Australian* yesterday that no deal had been done.

He confirmed his two highly productive avocado farms were being offered to both overseas and local investors by Ernst & Young — who last year sold the Kidman cattle empire for \$380 million to a Gina Rinehart-Shanghai CRED joint venture — but said he was mystified by Shenzhen Kondarl’s purchase announcement.

Mr Delroy, who produces between 4500-6000 tonnes of Haas avocados annually and is Australia’s biggest individual grower, said no memorandum of understanding for the sale had been signed with the Chinese company, that the asking price was a little lower and that prospective Australian bidders remained in the race.

Read More:

<http://www.theaustralian.com.au/business/in-depth/global-food-forum/chinas-big-avocado-farm-purchase-in-question/news-story/2b55e26957226d38eec24295b95f0947>

7. Trade analysis: \$500m Australia-China grey seafood trade still going strong

06/03/17

Louis Harkell

Undercurrentnews

After the first full year of the China-Australia free trade agreement (FTA), grey trade of Australian seafood into China is still going strong, though as tariffs head to zero that looks set to change.

According to an *Undercurrent News* analysis of trade data and industry sources, in 2016, over half of all Australian seafood exports, worth more than \$500m, likely wound up in the grey trade of goods smuggled across the borders of Vietnam and Hong Kong into mainland China.

In an awkward situation for Australia's biggest seafood companies, Vietnam and Hong Kong have become staging posts for illegal smuggling of everything from West Australian rock lobster and pearls to South Australian abalone and farmed salmon past Chinese customs and into mainland China.

Read More:

<https://www.undercurrentnews.com/2017/03/06/trade-analysis-500m-australia-china-grey-seafood-trade-still-going-strong/>

8. Iron ore: Beijing tipped to face price dilemma

06/03/17

Rowan Callick

The Australian

Leading China-based business analysts GavekalDragonomics say in research published at the weekend that the iron ore price must fall from its present high.

But whether a big part of that fall is postponed beyond this year depends, they say, on how skilfully China's government handles its two major macroeconomic policy aims.

These are to sustain stable growth, at about 6.5 per cent of GDP, ahead of the 19th National Communist Party Congress in late October, and to rein in financial risk and impose supply-side discipline, slowing credit growth from its current hectic 15 per cent pace.

The policies required to achieve both goals may clash, leaving the government to decide which it will pursue most forcefully — protecting the property, construction and heavy industrial sectors that drive steel demand, or curbing dangerous financial speculation, which will hit leveraged commodity speculators and thus puncture ore prices.

Read More (Paywall):

<http://www.theaustralian.com.au/business/mining-energy/iron-ore-beijing-tipped-to-face-price-dilemma/news-story/f1757f3b99ebc032f97f0dbefddd5549>

9. China targets overcapacity in coal and steel, reveals defence budget

06/03/17

Lisa Murray

Australian Financial Review

China's top economic planner said the country was determined to shut down idle and underused steel mills, coal mines and coal-fired power plants to tackle industrial overcapacity and reduce pollution.

At a press conference on the sidelines of China's annual meeting of parliament, Ning Jizhe, deputy director of the National Development and Reform Commission, said while the government had outlined steel and coal capacity cuts in previous years, it was now also targeting coal-fired power generation.

China has vowed to eliminate more than 50 gigawatts of coal-fired power capacity, almost twice the total operating coal-fired capacity in Australia, by shutting down some plants and halting the construction of new ones. Mr Ning described this on Monday as a "gigantic" figure.

Read More (Paywall):

<http://www.afr.com/news/politics/world/china-targets-overcapacity-in-coal-and-steel-reveals-defence-budget-20170306-gurx8r>

10. Trump could end global trade and force choice between US and China, says economist

06/03/17

Gabrielle Chan
The Guardian

The presidency of Donald Trump could mark the breakdown of global trade and the division of the world into trading blocs based around currencies – forcing Australia to choose between the United States and China.

That is the scenario that will be painted by Michael Every, head of financial markets Asia Pacific for Rabobank at the Australian Bureau of Agricultural and Resource Economics and Sciences (Abares) Outlook conference on Tuesday.

With agricultural growth surging in Australia according to the latest national accounts, Every will suggest that, as Trump pushes a more protectionist trade policy, Australia and the world will face a very different global trade landscape.

Read More:

<https://www.theguardian.com/business/2017/mar/06/trump-could-end-global-trade-and-force-choice-between-us-and-china-says-economist>

11. Two sides of the trade debate

07/03/17

Jason Clare
Australian Financial Review

Malcolm Turnbull is in more trouble than a Stark at a wedding. The polls are down and the knives are out.

Part of the problem is he talks a lot but he doesn't do very much – and there is no better example of that than what he has been doing on trade. Hawke and Keating are the undisputed titans of trade. The open, competitive economy we have today is built on the wreckage of the tariff walls they ripped down.

At the other end of the spectrum is Turnbull. Howard delivered three free trade agreements. So did the last Labor government. Abbott also delivered three trade deals. Turnbull hasn't delivered one.

Read More (Paywall):

<http://www.afr.com/opinion/columnists/malcolm-turnbull-is-more-talk-than-trade-20170307-gusgg6>

12. Would a US–China trade war pay dividends to Australia?

09/03/17

Giovanni Di Lieto

The Strategist

Among many other colourful characters, Donald Trump's cabinet appointments include two protectionist and anti-China hardliners, Robert Lighthizer and Peter Navarro, who sit at the helm of US trade and industry policy. That decision confirms a belligerent change of tack in Sino–American economic relations. But what are the implications for Australia?

A number of monetary economists, including Saul Eslake, have warned that a potential escalation to a full-blown China–US trade war poses the single biggest economic threat to Australia. That position argues that the already struggling global economy can't face a superpower trade war, likely to be triggered by the Trump administration at the monetary level, when the RMB/USD exchange rate will reach the unprecedented level of 7 to 1 (it's currently sitting at around 6.9). Furthermore, a falling Chinese currency combined with protectionist measures in the US will dampen the Chinese economy by way of reduced volumes of exports and higher interest rates that will spread across the Asia–Pacific. According to such reasoning, that could have negative impacts for Australia's economy; prices for iron ore, coal and natural gas could possibly drop—we'll know by the middle of the year.

However, it's questionable that such crisis would be detrimental to Australia. In fact, focusing on monetary dynamics alone fails to capture the role of industrial production and regulatory arrangements in the global supply chain.

Read More:

<https://www.aspistrategist.org.au/us-china-trade-war-pay-dividends-australia/>

13. Settlement a bridge too far for most Chinese apartment buyers

09/03/17

**Rowan Callick
The Australian**

Almost 80 per cent of Chinese buyers can't settle on the Australian apartments they have bought off the plan and wish they could walk away from the contracts, according to an expert on investment in Australian property.

Li Ming, the co-director of real estate company Aussiehome, told *The Australian* that "the off-the-plan apartments market is now the worst I have seen in the last 10 years".

Esther Yong, director of Australia-based Chinese language real estate website ACa Property, said: "We are seeing a shift in inquiries from apartments to house-and-land, where they have risen 30 per cent overall in the last six months."

China-based agents like house-and-land deals, she said, because settlement, and thus their receipt of commissions, was usually much shorter — within a year, whereas for apartments they may have to wait for two to three years.

Read More (Paywall):

<http://www.theaustralian.com.au/business/property/settlement-a-bridge-too-far-for-most-chinese-apartment-buyers/news-story/7afb7b7e1265fe43981fad81240fb3fc>

14. Deloitte: Chinese tourists are coming to rescue Australia's sluggish retail sales

10/03/17

**Chris Pash
Business Insider Australia**

Australia's sluggish retail sales are about to get help from international tourism led by China, according to analysis by Deloitte Access Economics.

Shopping by tourists is a bright spot in an otherwise bleak landscape of record low wage growth, high levels of household debt, and uncertainty over interest rates and house prices.

The latest official numbers show annual retail sales growth at 3.3%. And inflation-adjusted retail sales growth was just 2% for the year to December. However, the latest quarterly Deloitte Access Economics retail report forecasts retail sales to grow by an inflation-adjusted 2.4% for the year to December and then by 2.7% over 2018.

“International tourist visitation in Australia is at record highs, and spending by tourists is exploding as well,” says David Rumbens, a partner at Deloitte Access Economics.

Read More:

<https://www.businessinsider.com.au/deloitte-chinese-tourists-are-coming-to-rescue-australias-sluggish-retail-sales-2017-3>

15. Chinese naval ships close to Australia? ‘Get used to it’, experts warn

10/03/17

David Wroe

The Sydney Morning Herald

Chinese warships have carried out naval drills in Australia’s maritime backyard for the third time in three years in a move that experts say strengthens the case for greater co-operation with Indonesia.

China’s state media have reported that two missile destroyers and a supply ship conducted combat exercises during a 25-day voyage that took them close to Australia’s Christmas Island.

The People’s Liberation Army Navy made major headlines early in 2014 when they carried out similar drills in the eastern Indian Ocean close to Australian territory for the first time. This was followed by anti-piracy exercises close to Christmas Island in May last year.

Read More:

<http://www.smh.com.au/federal-politics/political-news/chinese-naval-ships-close-to-australia-get-used-to-it-experts-warn-20170309-guunxi.html>