



Speech at the Welcome Dinner for the 8<sup>th</sup> National Meeting of China Matters

**Senator The Honourable Simon Birmingham, Minister for Trade, Tourism  
and Investment; Senator for South Australia**

**Melbourne, 17 October 2019**

Thank you Kevin [McCann: China Matters Chair] for your kind introduction. I'd also like to acknowledge the traditional owners, and pass on my respects to their elders past and present.

Ladies and Gentlemen – one of the great achievements of Australian diplomacy is the mutually beneficial relationship we have forged with China, often against the odds.

We *can* and *should* aspire to successful relations for many years to come.

Yes – this can sometimes be a challenging bilateral relationship to manage. Yes – we have very different political and economic systems, and values. And yes – sometimes we disagree.

But the Government, Australian businesses, and our thought-leaders have invested substantial resources in understanding China so we can make the most of this relationship.

And I'm glad this, the 8<sup>th</sup> Meeting of China Matters, will discuss both the positive and difficult issues in the Australia-China relationship.

It's a strength of the Australian system that we have vigorous public debate on the relationship.



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This is a deep and broad relationship working to the benefit of both countries.

It's a relationship that has developed organically, through the day-to-day exchanges of businesspeople and migrants, and through the top-down work of political leaders and diplomats.

Now unfortunately, much of the commentary misses the fact that many aspects of this relationship tend to hum along underneath the surface of any political differences.

And it's always worth reminding ourselves of how far this relationship has come.

Almost 47 years after establishing diplomatic relations, our Comprehensive Strategic Partnership forms the bedrock of our bilateral engagement – which now extends beyond diplomacy and includes areas as broad as law enforcement, science, and education.

Australians and Chinese watch sport, enjoy art and music together, and indulge in each other's cultures every day.

And of course, over 1.2 million Australians have Chinese heritage.

These Australians – whether they came during the gold rushes or just recently, whether they're from mainland China, Hong Kong, Taiwan, Malaysia or elsewhere – are a valued part of our vibrant community.

Mainland China is a popular destination for Australian students, and one of the top places of study for New Colombo Plan scholars.

The National Foundation for Australia-China Relations will enhance the connections we share.



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With \$44 million in funding, the Foundation shows the Government's commitment to a broad relationship in our interests – and to improving understanding of China in Australia, and of Australia in China.

These links have proven to be enduring.

And then there's the growing economic relationship too.

We all know China is our largest two-way trading partner. In 2018-19, our merchandise trade rose 22 per cent to \$213 billion.

This was driven by a 26 per cent increase in goods exports, up to \$135 billion.

Our energy and resources exports continue to grow. In 2018-19, our iron ore exports were valued at \$63 billion, up 26 per cent. And LNG exports nearly doubled to \$17 billion.

China is also our biggest services export market.

Over 205,000 Chinese students were enrolled in Australian universities in 2018.

1.43 million Chinese visited our shores in the year to June 2019.

The benefits are clear – this enormous trade relationship helps drive growth and jobs.

Our bilateral free trade agreement – ChAFTA – has helped our economies more fully realise their complementarities.

Two-way trade has increased by 42 per cent since ChAFTA entered into force, with broad uptake on both sides.

Our investment relationship is also strong. China is our 5<sup>th</sup> largest source of foreign direct investment, growing to \$40.1 billion in 2018.



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Australia continues to be a preferred market for Chinese investor capital.

Australian investment in China is highly valued too, with our FDI reaching \$13.5 billion in 2018.

Our expertise in banking and wealth management means that financial institutions comprise some of Australia's largest investments in China.

Our health, retirement and aged care companies are also prospering. Australia's reputation for delivering quality care makes us a leader in this sector.

But beyond our *bilateral* economic relationship, Australia and China are also working to progress shared objectives in regional and global trade.

RCEP – the Regional Comprehensive Economic Partnership – presents an unprecedented opportunity to link our two countries together with fourteen other Indo-Pacific economies – a bloc representing over 30 per cent of global GDP.

I've been pleased to work with my counterpart, Minister Zhong, and his team on RCEP.

Our joint efforts pushing for greater market openings, regional rules of origin, and the integration of regional economies mean Australian and Chinese businesses will – we hope – soon enjoy even greater opportunities in the region.

Australia and China have proven through RCEP that together we can lead initiatives of truly global significance.

Australia and China are also driving APEC's role in support of the WTO and the broader rules-based system.





As the Prime Minister has said, the current rules-based trading system needs to be modernised and revitalised.

We need a functioning dispute settlement mechanism. We need to update the WTO rulebook, including new rules on emerging domains like e-commerce.

China will be important to progressing these objectives.

We co-chair with China APEC's work on food safety and have committed to working closely on investment issues – examples of practical cooperation that build trust between our systems.

In the G20, Australia and China are engaged broadly, from global economic governance to digital trade and innovation.

We value constructive Chinese engagement on digitalisation and cross-border data flows and China playing a cooperative role as digitalisation transforms economies and societies the world over.

My door will always be open to working with counterparts from Beijing.

Ladies and Gentlemen – Australia fully acknowledges and welcomes China's astounding growth and its enormous strides forward in its development.

Lifting over 800 million people out of poverty is surely one of the greatest achievements in human history.

The reform and opening that made this happen have also been significant drivers of global growth for the last 40 years.



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We know this better than most – Australia and China have been vital partners in each other's development.

China now has the world's biggest economy, in terms of purchasing power parity. It accounts for 16 per cent of global GDP, on a current price basis. For a decade, it's been the world's largest goods exporter.

And it's a modern, sophisticated economy too – at the cutting-edge of technology, finance, and innovation. It's home to the world's second biggest stock market, and the largest banking sector.

It's also an economy making massive investments in military expansion and infrastructure throughout the world.

I make a point of listing these facts because they are a testament China, to the progress it has made.

But with this status, we should expect the terms of China's engagement with the world to evolve; consistent with its economic maturity.

China is a great power, in large part, *because* it's a great economy.

Just like Australia, China has benefited from global trade rules and the WTO architecture.

But this growth has now outpaced the very rules and institutions that made it happen.

The WTO system must be updated to reflect contemporary realities. And with this, we want to see China engage with the WTO in a manner commensurate with its large and sophisticated economy.



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China now has an opportunity to cement its standing in the world by working *with us*, and others, to improve the global economic architecture that supports all our prosperity.

A good first step would be finding a resolution to the trade tensions with the US that upholds the openness and inclusivity of the global trading system.

Another useful step would be for China to accept a role in the global economy that accurately reflects its true size and sophistication. In the WTO, this would mean China reconsidering the need to seek special and differential treatment in the future.

If it does so, China would boost its credibility and influence in negotiating new trade rules. If China wants to cement its great power status and be a leader in global trade, it must engage the system as the economy we know it to be.

We want China to play a constructive, pragmatic role so the rules of the road properly reflect those who use it.

And Beijing should see our words as respectful encouragement to seize an opportunity based on an honest recognition of its status.

These words – **respect and honesty** – also describe how we should engage China bilaterally.

Our two systems must **respect** each other's sovereignty.

For Australia, our sovereignty means having the 'freedom to be ourselves', maintaining the autonomy of our decision-making.

It also means the integrity of our democracy, our national security, and our commitment to rules based order and universal values like human rights.





Naturally, there will be times where we disagree. Even vigorously so!

This is no surprise given how different our politics, history and institutions are.

And when we *do* disagree, we must be **honest** in expressing our concerns. For us, that means being **clear and consistent** on difficult issues like human rights, regional security, consular cases (such as Australian citizen Dr Yang Jun), and trade irritants.

The same goes when we make tough decisions that involve China – we must be clear about our interests and our reasons.

As the Prime Minister has said, decisions we make are based on our *own* national interests, just as we would expect China to pursue its interests.

In making these decisions, we are sure to assess *all* our interests – our security, our values, our prosperity – through a Whole-of-Government and whole-of-nation lens.

Difficult, awkward issues can't be left on the backburner indefinitely – tough issues will come to a head, calls need to be made.

Now, this might mean some long nights for our people in Beijing and Canberra!

But we also know that we've done the hard yards to build a resilient relationship.

And of course, we know that we have a strong interest in a productive ongoing relationship with China – just as China knows that no one benefits from disengagement.

So in making tough calls we always leave room for cooperation and dialogue on common interests to continue.



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In the spirit of honesty, my portfolio, trade, tourism and investment, has seen a few disagreements and differences with China over the past year.

Difficulties faced by our coal, barley, cosmetics and chilled meat exports are a focus of the Government's work.

While we help our exporters as best we can, it's important that we be honest with China that slowness in resolving these issues hurts their interests as well.

On coal, Beijing's lack of action addressing reported issues in supply processes doesn't just hurt our miners. It hurts China too.

Our high quality coal is an important part of making China's energy market more efficient.

China may create reputational damage by not resolving delays. Ultimately, Chinese importers may have to pay higher prices for such commodities if exporters look to offset the risk that their supply chains are inexplicably disrupted.

And it's a similar story with barley.

Our barley farmers have suffered from the uncertainty caused by dumping and countervailing duties investigations, even though there's no evidence of dumping or subsidies by Australia.

China's domestic market is less competitive without our high quality product. And Chinese brewers are deprived of their preferred ingredient.

We also face unreasonable delays in the processing of chilled meat establishment registrations.



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We urge Chinese officials to recognise that the number of establishment approvals will not change the safeguard volume of tariff-free beef going into China under ChAFTA, which had already been exceeded in August this year.

While more approvals may have little impact on volumes, inaction on approvals *does* deprive China of the benefits of stronger competition amongst Australian suppliers, including lower prices and a better product from our most modern facilities.

Animal testing for cosmetic products is another case where China's domestic market suffers. China has put itself out of step with the rest of the world and Chinese consumers are missing out on the world's best products.

China's approach to foreign direct investment is another issue that Australia – and others – should look to engage Beijing respectfully and honestly on.

As I've said, Australia and China *do* enjoy a mutually beneficial two-way investment relationship. But China's joint venture requirements and restrictions on foreign investment and in certain sectors create greater limits on Australian investment opportunities than do our safeguards to foreign investment.

We do acknowledge that China is moving in the right direction on this – in June this year, it announced that its 'negative list' would shrink from 48 to 40 sectors.

But clearly there remain systemic challenges.

Foreign direct investment works best when it flows as freely as possible across borders, subject to national interest safeguards, and is driven by market forces.





Foreign investment increases competition. It creates economies of scale. It improves productivity. And it means capital is allocated more efficiently, where the expertise and resources that come with investment are put to best use.

In China's case, however, we should acknowledge the implications of its more state-centric approach to investment – both domestically and abroad.

We are vigilant to this reality – and Australia and others with similar approaches should encourage China to reduce the role of the state in foreign investment.

Like with the trade issues, a good way to do this is by showing China that it's harming its own interests. It's not receiving all the gains that free flows of FDI bring. And it also risks jeopardising the confidence of foreign investors and joint venture partners abroad.

As I said, I raise these bugbears in the spirit of honesty. But it is also crucial that we keep them in perspective. Each is important to the impacted stakeholders but each is also dwarfed by the overwhelming success enjoyed in other aspects of our partnership.

Another important aspect to maintaining perspective is the long term nature of the relationship. China has actually been a great and influential nation for centuries. It will continue to be long into the future. The decisions we take today matter but we should also be mindful that they are part of a continuum of decisions in a critical relationship that stretch as far into the future as we can conceive.

Underpinning each of these key approaches we apply to the relationship – respect, honesty and perspective – must also be discipline.





Discipline in maintaining perspective, honesty and respect. Discipline in always acting and speaking in ways to best protect our national interest in all of its forms, from values and security through to economically and diplomatically.

The Australia-China relationship is a big, vitally important relationship – and one that has already seen much success.

It's a relationship that brings enormous good to both our countries – and we are optimistic about its prospects to drive regional and global reforms in ways that can further development and advancement of people across both our nations and beyond.

Yes, we face some tough issues – but an approach based on respect, honesty, perspective and discipline is the surest path to a mutually beneficial relationship.



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