



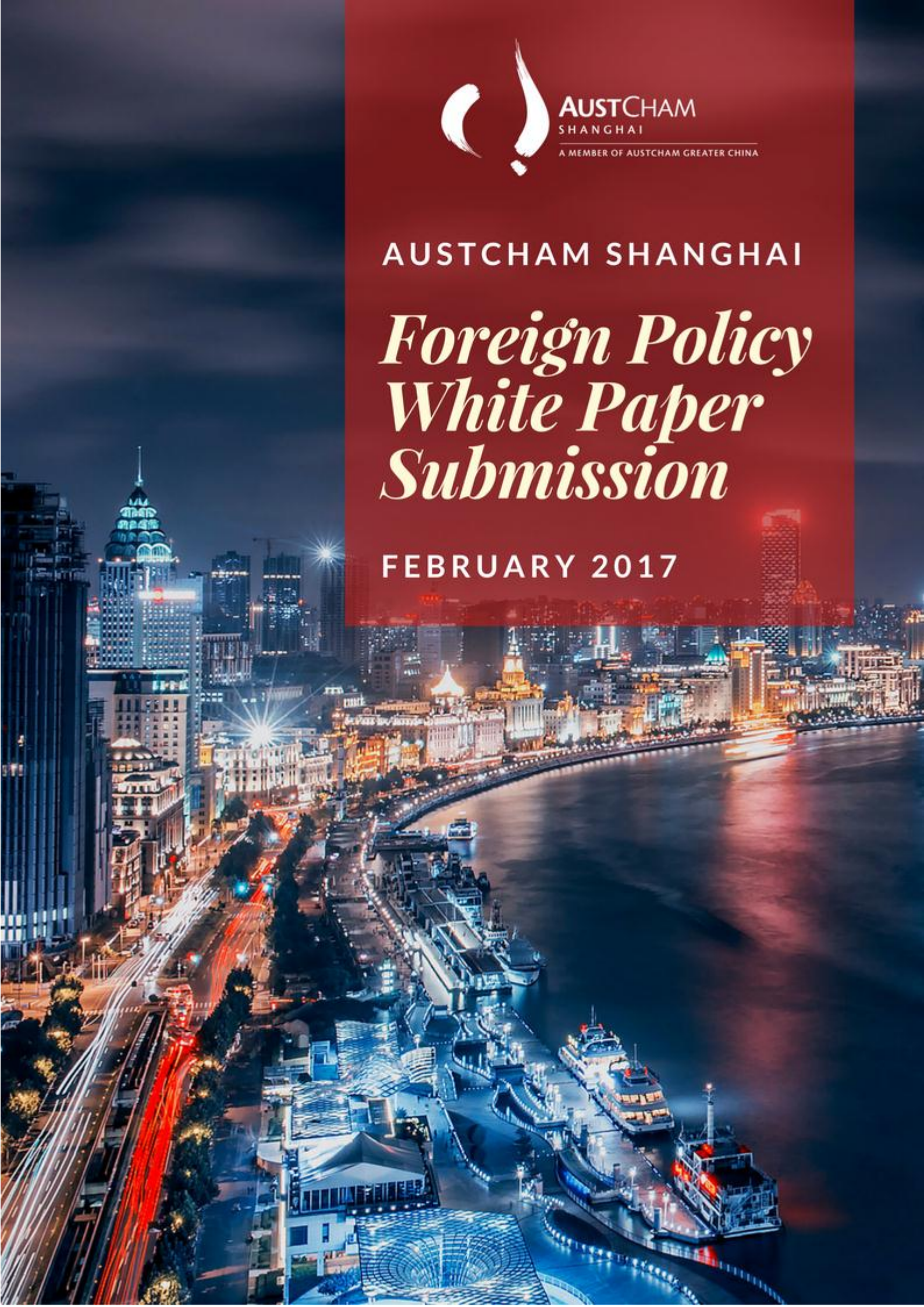
AUSTCHAM
SHANGHAI

A MEMBER OF AUSTCHAM GREATER CHINA

AUSTCHAM SHANGHAI

*Foreign Policy
White Paper
Submission*

FEBRUARY 2017



A Message from the Chairman and CEO

The People's Republic of China (China) is Australia's most important relationship for the 21st century. With more than 1.3 billion people, 34 provinces, and a geography more diverse than Europe, China represents a vast opportunity for Australian business. The well-documented rising middle class has emerged as a significant market for export and trade. As Australia's largest trading partner, China is vital to Australia's foreign policy interests and will continue to be so for many years to come.

Australia has strong historical links to China, exists in the same region and shares a similar time zone. These opportunities are compounded by the increasing desire by the Chinese to engage more deeply abroad. More than one million Chinese visit Australia annually to trade, work, invest, or study. These human connections are strengthening the links between our countries beyond the nominal trade figure. It is without doubt that growing Chinese demand in key sectors of the Australian economy including tourism, education, food and beverage, resources, and agriculture is having profound effects on the strength of Australian business interests, both domestically and in China.

While the China opportunity is undeniable, the reality of doing business in China is less clear cut. Since 1994, the Australian Chamber of Commerce Shanghai (AustCham Shanghai) has existed to help Australian business navigate this complex and difficult environment. Those Australian businesses coming to China unprepared, simply, will not succeed. However, for those that are prepared and who invest wisely and over the long term – the potential commercial gains are substantial.

We have made a concise but well informed submission. Our submission aims only to address terms of reference that apply to economic policy and which specifically relate to the Chinese market. We inform ourselves through our vast and experienced network of Australian businesses operating on the ground in China. We have heard from our membership through a targeted survey, a roundtable, and through thousands of individual conversations per year. We make this submission on behalf of the Australian business community in Shanghai and welcome future consultation in the development of the Foreign Policy White Paper on behalf of our members.



Craig Aldous
AustCham Shanghai
Chairman and CEO of
Elders China



Udo Doring
CEO and Executive
Director of AustCham
Shanghai

Recommendations

AustCham Shanghai recommends that the Australian Government:

- 1** Evolves its business support and service delivery strategies in China.
 - Specifically, Austrade should seek to build capacity through outsourcing to or partnering with established Australian in-market providers. For example, to deliver research, delegation and consulting services.
- 2** Invest to broaden existing initiatives that identify and educate businesses that intend on entering the market before those businesses expend capital.
- 3** Prioritise the negotiation of a legitimate pathway for young Australians to gain commercial experience in the China market through internships.
- 4** Support the expansion of programs that invest in university level Australians to become more China literate and promote the importance of learning Chinese at high-school level.
- 5** Devote more resources to work on reducing and eliminating non-tariff barriers to trade.
 - Prioritise investment in peak bodies in Australian industry that work directly with the Chinese Government to facilitate the opening of new market segments.
 - Devote more resources to work with the Chinese government to manage quarantine and other regulatory issues impacting directly on trade.
- 6** Recognise that Australian domestic public discourse on China related matters can impact businesses trading in China.

About Us

AustCham Shanghai is the peak body for Australian business in China. As a membership-based organisation, AustCham Shanghai represents more than 400 businesses and individuals providing support, education, advocacy and business services.

China is Australia's largest trading partner and in 2015 the two-way trade relationship was worth \$150 billion. AustCham Shanghai is a bridge between Australian and Chinese organisations, facilitating connectivity and promoting bilateral trade between Australia and China. The Chamber successfully links Australian organisations with Chinese counterparts and potential business partners, enhancing the trade relationship between the two countries.

Founded in 1994, AustCham Shanghai is now the largest Australian Chamber of Commerce in Greater China. Shanghai is the entry point to mainland China for many international firms. It provides a base to access the fast-growing eastern region of China, and disperse into second and third tier cities further afield. As the trading relationship has evolved beyond energy and resources, AustCham Shanghai's membership has also grown to include businesses in every sector, from manufacturing to health and aged care, to food and beverage, education, construction and property, and financial services.

A MODEL FOR BUSINESS ENGAGEMENT

Owned and run by members, today the Chamber employs 20 staff who are organised across four departments: membership, events and communications, business engagement, and operations.

This organisation allows AustCham Shanghai to deploy a model of business engagement that provides effective support and advice to both those in-market and those considering entering the market.

With more than 100 social, professional development and networking events per year, AustCham Shanghai provides a platform for network building in the Shanghai market, as well as being fertile ground for business introductions and referrals. The Chamber is a place for Australians to seek trusted advice and direction, both from the secretariat and from other members, on all manner of business issues.

AustCham Shanghai also provides a range of business services above and beyond our standard membership including organising and hosting targeted delegations, and project and event management services. For certain entities, such as industry or government bodies, we are also able to provide in-country support and staffing through our China HQ program.

AustCham Shanghai Submission

Market Access and Promotion

AUSTRALIAN GOVERNMENT PRESENCE IN MARKET

AustCham Shanghai applauds the work done by the Australian Government to educate Australian businesses and provide them assistance and encouragement to access the Chinese market. As is natural, the Government should regularly evolve its strategy and services to reflect the developments that have been made in the Chinese market and the Australian business community in China.

Broadly, the consultation, research and delegation services being offered by The Australian Trade and Investment Commission (Austrade) can be provided by private providers in the market. However government relations, trade and tariff negotiations, protocol and market access design, analysis of changes to Chinese laws and regulations, and high-level industry support all remain firmly in the domain of Austrade.

In April 2016, the Australian Government ran the Australia Week in China and brought representatives from approximately 1,000 Australian businesses to Shanghai, introducing them to the Chinese market, business environment, and culture. This delegation was successful in creating awareness of Australia in China, however, there is little published data to suggest large numbers of delegates went on to establish businesses in China. The Australian Government should look beyond the delegation week in China to ensure that delegates have the support and business network required to establish a trading operation on the ground.

While large scale delegations create certain positive outcomes, a smaller delegation can more easily deliver practical skills and contacts that can be immediately deployed when setting up a business. More regular delegations provide opportunities for sustained development of Australian interests that one-off visits cannot.

AustCham Shanghai has proudly partnered the Government on delegations, tours and Ministerial visits. We note that Austrade is now conducting some regular targeted delegations. Into the future, the Government should transition away from directly running these delegations and seek to build private industry capacity by partnering with established in-market providers. AustCham Shanghai is well placed to deliver Government endorsed and supported delegations.

Additionally, the Australian Government is currently prioritizing trade development expenditure with the United States of America through the 'G'Day USA' and other public diplomacy initiatives. Considering the importance of the Australian-China trade relationship, a program of this nature and scale needs to be considered for China or the North Asian market as a priority.

GOVERNMENT EDUCATING BUSINESSES IN AUSTRALIA

China is a challenging market to enter. AustCham Shanghai has witnessed a significant increase in interest from small and medium enterprises seeking to trade in China. Unfortunately, the vast majority of the Australian business community in Shanghai reported to us that the Australian Government was not doing enough to develop an understanding of the Chinese market amongst business in Australia.

AustCham Shanghai believes that the Australian Government should invest to broaden existing initiatives that identify and educate businesses that intend on entering the market before those businesses expend capital.

A new or refocused initiative could look to more regularly leverage the experience of the China-based business community, through AustCham Shanghai, to bring contemporary insights to an Australian audience.

Capacity Building

INTERNSHIPS

In November 2015, the French Government signed an agreement allowing 1,000 French young professionals to undertake internships for up to six months in mainland China.

The French recognised that by exposing their elite young professionals to the Chinese market at an early stage that they would be more capable of delivering future trade outcomes for France.

At this stage, no such agreement exists for young Australians. While some young Australians undertake pseudo-internships through uncertain visa pathways, the vast majority of Australian young professionals have no opportunity to experience the Chinese market.

The overwhelming majority of members consulted said it was 'very important' for Australia's national interest that young Australian professionals gain experience in the Chinese market.

AustCham Shanghai strongly supports the development of legitimate pathways for young Australians to gain commercial experience in the Chinese market. We recommend that the Australian Government prioritises the negotiation of an internship program with the Chinese Government.



*Giving our young professionals experience should be top of the agenda.
The world is moving past us on China literacy.*



Senior Business Leader in Shanghai

CHINESE LANGUAGE

Chinese language is an important capability for Australian businesses which allows for easier engagement with Chinese customers, partners, services providers, and employees.

Alarmingly, the number of Australian students studying Chinese is falling. The 2016 PWC publication *Our Diaspora's Got Talent* reports that between 2005 and 2015 in NSW the number of HSC level students studying Chinese fell from 1526 to 832. All but 153 of those students were native Chinese speakers.

The Australian Government must prioritise the learning of Chinese, the language of business of our largest trading partner. Language proficiency allows a business to show respect and build rapport. Rapport building is a culturally important part of doing business in China and is key to building long lasting relationships in-market.

The Westpac Asia Exchange and the Australian Government New Colombo Plan scholarships are examples of two good programs investing in university level Australians to become more China literate. We encourage the expansion of these and similar programs and would welcome additional measures that expose high-school level students to the Chinese language.

Barriers to Trade

CHINA AUSTRALIA FREE TRADE AGREEMENT (CHAFTA)

AustCham Shanghai was proud to endorse and continues to support the Australian Government's landmark China Australia Free Trade Agreement. The ChAFTA has been a necessary development for the two-way trading relationship, reducing tariffs across many sectors and products, and highlighting China as an accessible and attractive market for Australian business.

While the negotiation of ChAFTA is a necessary development in the bilateral trading relationship, it is however, not sufficient to ensure Australian businesses thrive in China. The Australian business community in Shanghai, through our roundtable, reports that since the beginning of ChAFTA there has not been significant or meaningful change in business conditions or profitability. However, AustCham Shanghai has experienced an increase in requests from Australian businesses seeking advice on entering the market.

The Australian Government has a role in promoting China beyond ChAFTA, and should continue to recognise that ChAFTA is only the beginning of ensuring Australian business success in China.

NON-TARIFF BARRIERS TO TRADE

There are many non-tariff barriers to trade including market access and protocol issues, and regulatory and legal restrictions that can prevent businesses from accessing or thriving in China. Many Australian products are still not eligible to be traded with China or have restrictions. For example, there is currently no protocol to sell Australian avocados in China, only certain facilities in Australia are licensed by the Chinese Government to export beef to China, and market access for Australian apples and cherries is restricted.

The Australian Government should devote more resources to work with peak bodies in Australian industry and directly with the Chinese Government to facilitate the opening of new market segments. The Australian Government should also devote more resources to work with the Chinese government to manage quarantine and other regulatory issues impacting directly on trade.



It is clear to anyone in-market that Chinese quarantine is a more significant barrier than tariffs on Australian goods.



Australian Food and Beverage Importer

REGULATORY ASSISTANCE

China, while becoming easier, is undoubtedly a difficult place to do business. For many Australian businesses operating in regulated sectors, understanding the various levels of the Chinese Government and applicable agencies is complex. Our members are calling for the Australian Government to do more to help Australian businesses understand the local political and bureaucratic landscape.

The modernisation of the Chinese economic system is fast paced and it is difficult and costly for individual businesses to remain abreast of all legal and regulatory changes. The Australian Government, working with the Chinese Government, is best positioned to provide accurate and timely advice for Australian business operators

in-market. This specifically requires that Austrade regularly analyse and report on changing Chinese laws and regulations to Australian businesses operating in China.

BILATERAL RELATIONSHIP

Australia has long drawn on foreign direct investment to grow our economy and provide opportunity domestically.

Australia's Foreign Investment Review Board oversees large investment in Australia, and the clarity, rigour and purpose of its decision making is vitally important. AustCham Shanghai members call for greater clarity in policy positions relating to foreign investment in Australian assets.

Similarly, AustCham Shanghai members recognise that clear policy settings around Chinese investment and trade with Australia directly leads to increased capacity for Australian businesses to further their interests in China.

Domestic Australian Government policy and state government decisions can impact the operation of Australian businesses based in China. The impact of Australian Government officials public discourse on China related matters must not be underestimated.



AUSTCHAM
SHANGHAI

A MEMBER OF AUSTCHAM GREATER CHINA



Suite 2E, ANKEN GREEN
668 Huai'An Road, Jing'An District
Shanghai, 20041

T: +86 21 649 0600

www.austchamshanghai.com