

# KEYNOTE ADDRESS, AUSTRALIA WEEK IN CHINA GALA LUNCH

14 April 2016, Shanghai, China  
Prime Minister  
E&OE

## PRIME MINISTER:

[Salutations]

Australia Week in China 2016, bigger and better than ever. Welcome to all of you and thank you so much for being here.

It's great to be back in Shanghai, here at the heart of the most exciting economic transformation of modern times. A city Lucy and I have visited many times, on business, on holiday, visiting our son Alex when he was studying Chinese here at the Jiaotong University, Jiaotong Dashwe in 2001.

And it's even better being here with nearly two thousand Australian and Chinese business people, what a statement of the incredible scale and reach and enduring potential of our economic partnership. And while I am long out of the business world, being here among so many enterprising men and women, I recall the exciting days more than twenty years ago when I was busy working in China myself seeking co-investment opportunities and establishing what has since become a large zinc and gold mine at Caijiaying near Zhangjiakou in Hebei Province.

Before I talk about our plan for making the most of our opportunities together, I want to emphasise that the foundation of Australia's engagement with China and this city, is far deeper, broader and richer than often imagined.

If we hold up the mirror of history to guide the policies of today; as the great Song Dynasty historian Sima Guang says we should, then the clues are written in the architecture of this great city. One of the oldest, grandest buildings on the main shopping boulevard, Nanjing Road, is the five-story Sincere Department Store. It may surprise many of you that it was built by a Sydney man, Ma Ying-piu, almost exactly a hundred years ago in 1917. And if you walk further east along Nanjing Road, towards the Peace Hotel, where we were this morning, you'll come to another grand old department store, the six storey one on the corner of Zhejiang Road, which was built one year later by another Sydney family.

In fact there are four grand old department stores, all still standing on the Nanjing Road, and all built by Chinese-Australians between the two world wars. In their time the Four Great Companies, as they were known, dominated the Shanghai skyline, with their great spires and gleaming lights.

Each one was built taller and grander than the last. Competitiveness is another enduring characteristic of Australian Chinese entrepreneurs.

You will recognise them because the architecture was modelled on the Anthony Hordern New Palace Emporium, in Sydney's Haymarket, which was for a while the largest department store in the world. And the reason they dominated the Shanghai retail market was that they brought with them Anthony Hordern innovations, including fixed-prices, glass display cabinets and most importantly a very egalitarian service model which stressed respect for every individual customer, a very Australian characteristic.

*Wei ren men fu wu*, indeed.

Today, of course, the modern Shanghai skyline has sprouted more than 1300 steel-reinforced skyscrapers, more than any other city in the planet. And Australia has helped shape this skyline, all

that steel was made with help, in many cases of Australian architects, Australian engineers and of course, Australian iron ore. And this demand for Australian resources, across this great nation of 1.4 billion people, has underpinned the greatest run of unbroken prosperity Australians have ever known.

Our two-way trade accounts were worth \$150 billion last year, making up about a third of our total exports. In 1990, 2 in every 3 Chinese people lived below the World Bank's poverty line, now that figure is about, or less than 1 in ten. The scale and pace of China's transformation in little more than a generation is utterly unprecedented in human history.

Now, however, as we know, China is transitioning away from a heavy reliance on construction and resource-intensive industry. This means a better deal, from wages to deposit rates, for Chinese households, purchasing power to the people. This rebalancing is as necessary as it has been inevitable. It's been advocated or foreshadowed by Chinese leaders in each of the last three five-year plans.

And this structural change drives parallel changes in our own economy. Australia's terms of trade have fallen by a third since China's shift away from resource-intensive industrial growth began in earnest five years ago. Our own investment in resource construction projects has halved as a share of GDP, since reaching a record peak of nearly 8 per cent. That was always going to happen, it was also inevitable.

And the challenges and opportunities presented by these deep structural change explain why every element of my government's economic plan is working to continue our successful transition to a stronger, more diversified, more innovative 21st century economy.

Everything we're doing, innovation, competition, trade and infrastructure is focused on powering jobs and economic growth.

Now the good news is that we are most of the way through the greatest terms of trade shock in our history. And our economic data tell a story of remarkable resilience. 300,000 jobs created last year alone and real GDP growth of 3%.

And today as we have just seen, unemployment has declined again, to 5.7% with over 26,000 new jobs created in the last month. That's good news, but we cannot afford to be complacent. We have to get our policies right to be more productive, more competitive, more innovative.

It is with these objectives in mind that we embrace all of the extraordinary opportunities presented by China's own economic transition towards a more consumption-driven economy.

And it is a thoroughly 21st century consumer economy. China has embraced e-commerce at an unprecedented pace. Chinese companies including Alibaba and JD.com, are world leading e-commerce platforms, which provide access to this market for small and medium-size Australian exporters, as well as large ones, many of whom are represented here today.

Already it's estimated the Chinese e-commerce market is larger than that of the United States. I was pleased to attend JD.com's Australian launch, and we look forward, as I am sure do Chinese consumers, to the continued smooth implementation of recent regulatory changes affecting e-commerce.

And our parallel economic transitions explain why it was so important that we delivered the China Australia Free trade Agreement, the highest quality free trade agreement China has entered into with any comparable nation.

Negotiated by Andrew Robb who is here today - the most successful Trade Minister in Australia's history, and now inspiring his successor.

[APPLAUSE]

Where is Andrew? There he is.

[APPLAUSE]

And now he inspires his successor Trade Minister Steve Ciobo who is also here with Energy Minister Josh Frydenberg and Tourism Minister Richard Colbeck.

I am honoured to be the first Australian Prime Minister to come to China since this transformative agreement came into force only months ago. I am here to help Australian exporter's open doors which had been locked.

Already, ChAFTA is injecting new energy and ambition into our own economy. It's adding strength, breadth and dynamism to the relationship between our two peoples. And the early export gains have been extraordinary. Beef and dairy exporters have captured the headlines, but they are closely followed by the cherry farmers of Tasmania, the cray fishermen of Geraldton and wine producers across the country.

Just ask the proprietor of Seppeltsfield Wines, Warren Randall, who will be exporting tariff-free wine to China within three years. He says, and I quote, "*The China FTA is the most important development in wine marketing in the 39 years I've been in this business.*"

And as Andrew knows, there will be even bigger gains in services. Lawyers, educators, financial service providers, engineers, designers, planners, architects, all will find it now much easier to do business in China. The potential is enormous, and that's why for example 134 representatives of our aged-care and health sectors are with us here today.

China numbers, as we know, are always very big, and so let's break them down one city. A very big city indeed, this one.

Last year Shanghai alone purchased \$14.5 billion worth of Australian goods, led by iron ore and wool. That's just merchandise trade and it doesn't count the 11,000 Shanghainese now studying in Australian schools, colleges and universities. Nor does it count the US\$5 billion in two-way investment between Shanghai and Australia.

The new generation of Chinese investors including Shanghai companies like Baosteel and Bright Foods. And Greenland Group and other Chinese developers who are adding to our housing stock in our biggest cities.

And the investment is not just one way. Julie Jackson, who I was with earlier today with Lucy, The Managing Director of the aged-care firm AVEO, has just opened the first stage of a 2500 resident retirement village near Hongqiao airport, where we arrived this morning. Her firm's competitive advantage, she says, "it's innovation in this market, is bringing a very personalised care and respect to all of their customers. It's the same customer-focussed, serve-the-people, culture that led those earlier investors to do so well nearly a century ago over on the Nanjing Road.

But we have to work harder, much harder, to strengthen and expand these business links, as our economies continue to transition. That's why we have to extend our Innovation Agenda to help Australian start-ups and leading research organisations link to the world.

To do this we are establishing a landing pad here in Shanghai, which will provide innovative Australian entrepreneurs with physical space and access to networks and expertise. And we are forging even stronger tourism ties with China, which has grown to become Australia's most valuable tourism market almost overnight.

Last year more than 1 million Chinese visitors holidayed in Australia, spending more than \$8 billion. And now that China has proclaimed, next year together with us to be the 'Australia-China Year of Tourism' I can safely wager that our hotels, our restaurants, our tour operators will soon be investing in new capacity to meet that new demand.

We're doing our bit by introducing streamlined and online visa processes. This morning I launched Tourism Australia's new digital platform, opening up on the 700 million smart phones here in China the prospect of an exciting visit to Australia.

They say that all politics is personal, well so is business. And in the digital age, with the ability to tailor services and messages to the individual consumer, accessing China's new marketing opportunities require strong partners, good local knowledge and building trust.

So we have to be more agile and work harder and smarter. We have to continue to attract talented people from China who are making our society not only more prosperous, but also the most successful multicultural society in the world.

Australia's multicultural society is bound together by shared values, freedom, democracy and the rule-of-law. And the glue that binds us all together is mutual respect.

Our diversity is our greatest strength. We are enriched by that diversity, not divided. And that's what makes us a truly global nation. A truly 21<sup>st</sup> century, global nation.

More than one million people in Australia today have Chinese ancestry. And half a million people in Australia were born in China. More Australians are learning Chinese language, understanding Chinese history and culture.

There is a higher proportion of Chinese-born people in Australia now than at any time since, well, since the mid-19th century gold rush, when the Ma family first arrived in Victoria and began accumulating the capital they later invested in that first great department store here in Shanghai in 1917.

In the post resource construction-boom, we come to China with similar skills and endowments as those early Australian investors; innovation, a global mindset and the long investment horizons which come from transparent markets and the rule-of-law.

China's own long journey towards open markets and rule-of-law will be well worth the challenges along the way.

And we should remember, as I conclude, the wisdom of Deng Xiaoping after his Southern Tour in 1984, of the Shenzhen Economic Zone, which President Xi Jinping's own father, Xi Zhongxun, had established five years before. When Deng returned to the capital he invoked the voyages of Admiral Zheng and observed that China had been strong and prosperous when it had been open to the world.

Speaking to the Central Advisory Committee in 1984 he said this: "A closed-door policy prevents any country from developing. We suffered from isolation, and so did our forefathers...the lessons of the past tell us that if we don't open to the outside we can't make much headway." He said, when China was closed to the world it was weak and subject to oppression, when it was open to the world it was strong and embraced the opportunities of the world. Freedom, enterprise, open markets, rule-of-law embrace of the global community in all its diversity, those are the qualities that deliver progress, rising living standards and growth.

The growth in our region, especially here in China, reflect the hard work of hundreds of millions of people forging a brighter future for themselves, their families and generations to come.

It is a story of human ingenuity and tenacity. And it's a story about how our two countries have changed, and changed each other, in ways that are leading to more jobs, more growth, more investment, more prosperity, more ability for each of us, each of both your huge population and our population too, all Australians and Chinese, better able to realise their dreams.

As you say here in China, the flames rise high when everybody adds wood to the fire: Zhòng rén shí chái huǒ yàn gāo [众人拾柴火焰高]. Thank you very much.

**Ends**