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Australia and China: new roadmap for deeper relationship

Business leaders welcome landmark study to unleash economic growth

(Melbourne, 16 August 2016) Australia and China are poised to take their relationship to the next level to unleash new economic potential, according to a landmark study that brings together academics and industry leaders from both countries for the first time.

The report, a collaboration between The Australian National University and the China Center for International Economic Exchanges (CCIEE), will be launched by Asialink Business and the Business Council of Australia in Melbourne tomorrow.

It provides a big picture roadmap towards an upgraded partnership that aims to deliver enormous gains for both countries. The *Australia-China Joint Economic Report* underlines that major economic shifts are underway in the bilateral relationship, and that governments, business and the community need to actively manage these shifts to continue our economic prosperity.

Emeritus Professor Peter Drysdale, who led the report on the Australian side, said managing the transition in the relationship would require careful and deliberate action, and all sectors would need to play an active role:

“While the China-Australia Free Trade Agreement (ChAFTA) has laid strong foundations for the bilateral trade relationship, more can be done to push the envelope on Australia and China’s economic partnership. This study is the first major independent joint study of the bilateral economic relationship that has had the blessing of both governments. It presents a ‘big picture’ review and sets out principles and strategies agreed by both sides about how to get the most out of the relationship and avoid risks over the next decade. It recommends that the two countries establish an Australia-China Commission to promote scientific, research and policy exchanges to deepen the relationship”.

Professor He Fan, an expert on the Chinese side who travelled to Australia for the launch, says:

“The report calls for a new Comprehensive Strategic Partnership for Change to manage the big changes as China shifts from an investment-led to a consumption-led economy, and investment and services become much more important”.

The report has been welcomed by business and industry leaders.

“The report marks a significant step in the deepening of the Australia-China relationship. It sets out a pathway and framework for policy makers and business to consider the major changes that will fundamentally shape our interactions in the coming decades. Everyone, from policy makers to the public, should consider the wide implications of this report and the major changes that are already underway to Australia’s north,” said Jennifer Westacott, Chief Executive of the Business Council of Australia.

The CEO of Asialink Business, Mukund Narayanamurti says the Australian workforce must invest in developing and deepening its knowledge, skills and understanding of how to do business with Chinese partners in order to seize the potential of this critical economic relationship.

“Building a China capable and globally competent Australian workforce is critical for our economic future. We need a shift in mindset to lift Australia’s partnership with China to the next level. Business in both countries has a unique role to play and should be at the forefront of this historic transition,” Mr Narayanamurti said.

Asialink Business is the National Centre for Asia Capability and supports organisations in all sectors to develop the critical skills, knowledge and networks needed to better understand and engage with Asia.

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Background: Australia-China Joint Economic Report

About the study:

The study is led by Emeritus Professor Peter Drysdale of the East Asian Bureau of Economic Research, The Australian National University, and Mr Zhang Xiaoqiang, Executive Vice-Chairman of the CCIEE in Beijing. The study brought together leading economists, business people and government officials from both countries. Australian experts including Ian Watt, Phil Lowe, Heather Smith, Gary Banks, Allan Gyngell, Ross Garnaut and Geoff Raby advised on the project.

The study identifies key policy changes in China and Australia that will be necessary to promote a deeper economic partnership, and the impacts that these reforms will have on businesses and citizens. Situating these reforms within the broader context of the Chinese reform agenda and the economic challenges facing Australia, the report sets out a detailed agenda for Chinese and Australian policymakers with clear priorities for action.

The report's findings:

The report's main finding recommends the governments of both countries work to elevate their close trade and investment ties to a new and unique level through a special Comprehensive Strategic Partnership for Change. A unique diplomatic framework for the Australia-China relationship will send important high-level signals to policy and business actors on both sides.

The report also recommends:

- A new Australia-China Commission, supported by both governments and similar to the Australian-American Fulbright Commission, to promote academic, cultural, policy, government, business and community exchanges;
- High-level policy cooperation on the maritime economy as maritime powers with common interests in seaborne supply routes; and
- Negotiation of a new negative-list Agreement on Investment within the ChAFTA framework to further liberalise investment flows. The agreement would set an early precedent for China's Bilateral Investment Treaties with the US, UK and EU and could lead to a multi-lateral regime for foreign investment.

The goal:

Trade with China now accounts for more than a quarter of Australia's overall trade, Chinese investment into Australia is growing fast and for many Australian businesses the Chinese market represents an enormous potential growth market. For China, Australia has represented a reliable provider of high-quality inputs from iron ore to education. But as China's growth model and focus changes, big adjustments will need to be made in the relationship as new opportunities emerge for both countries.

Capturing the economic potential of the relationship will depend on how both the public and private sectors in Australia and China engage up close and shape the relationship. Getting the most for both countries will require a functional understanding among policymakers, corporate leaders and the broader community of the changes that will shape China in the next ten years.