

THE 2014 AUSTRALIA-CHINA TRADE REPORT SYNOPSIS

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Australia China Business Council
澳大利亚中国工商业委员会

*This is a synopsis of the 2014 Australia-China Trade Report.
To view the Australia-China Trade Report please visit acbc.com.au/Publications*

Case Studies

The 2014 Australia-China Trade Report examines some of the practicalities of Australia-China business engagement through a range of case studies that are detailed in the main report.

Goldwind Australia

Goldwind is a model for the integration of Chinese firms in Australia through its employment and governance practices.

Shanghai Zhongfu Group

The challenge for Shanghai Zhongfu was to integrate the off-take from its planned Australian operation into the long supply chain of China's domestic market.

Mawson Global

Helps Australian businesses find Chinese partners for importing and exporting opportunities.

Snowden Group

Achieved a breakthrough for the Australian services sector by cooperating with a central Chinese technical design Institute for the mining sector.

Caulfield Grammar School

Inter school co-operation builds experiences for Australian students and provides visibility of the school to the parents of potential Chinese students.

Tangalooma Island Resort

Taking advantage of the growing number of visitors from China looking for a quality natural Australian experience in a Chinese environment.

DevWest

DevWest's relationship building strategy resulted in a significant portion of its equity for development projects being sourced from China.

Qenos

Qenos' successful export of knowhow has helped Chinese businesses develop and implement management processes, controls and maintenance procedures.

Ferngrove

A joint venture that has linked with Chinese capital and access to Chinese consumer markets with Australian expertise.

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A message from the Chairman and National President of the Australia China Business Council

It is with great pleasure that I present to you the 2014 Australia-China Trade Report.

Commissioned by the Australia China Business Council (ACBC), this report expands on the ACBC's "Benefits to Australian Households of Trade with China" report which, since 2009, has tracked the steady rise of benefits to ordinary Australian households from trade with China.

This year's report confirms the trend: two-way trade with China per household increased to AUD \$16,985 from \$14,480 reported in the 2013 ACBC report and has increased almost five-fold from \$3,400 in 2009.

The 2014 report provides exciting new insights into how the structural changes in the Australian and Chinese economies are set to increase the value to our respective economies and households, based on a more diversified trade and investment relationship and increased confidence in the early conclusion of a Free Trade Agreement (FTA) with China.

Thanks to major sponsorship from the National Australia Bank (NAB) and seed funding from the Australia China Council (ACC) of the Department of Foreign Affairs and Trade (DFAT), the 2014 report goes further this year by analysing the impact of Australia-China Trade across industry sectors, including Australia's integration with global value chains, and the flow-on effects for the Australian economy down to the household level.

This year the ACBC conducted an exclusive business survey of over 200 Australian firms engaged in Chinese business, predominantly from its membership. Supported by case studies from different industries and a new data source, the World Input-Output Database, this report demonstrates that as in the preceding years of the resources investment boom, Australian governments, firms and households have benefitted from Australia-China trade through GDP growth, tax revenue, employment and higher real wages.

This is now enhanced by new growth opportunities in industries such as agriculture, manufacturing, real estate, tourism, education, financial and professional services. Benefits of trade with China are thus more broadly based than generally assumed.

Australian businesses have developed a complex and sophisticated view of Chinese markets, although business understands that China is a challenging market. Perhaps this is not surprising, since more than half the respondents to the survey have now been in business with China for over five years. Indeed, those Australian businesses that invest in China and export to China are more likely to be profitable than those that do not. Thus, critically, the report confirms that far from being detrimental to Australian households and businesses, the relationship in its growing complexity and diversity continues to benefit households and is helping make Australian businesses more competitive at home and in the international market.

As the premier business organisation dedicated to promoting business and trade between Australia and the People's Republic of China, the purpose of the ACBC's report is to provide a trusted source of data which can be used to contribute to an informed public debate and understanding of how fundamental the Australia-China Trade relationship has become to Australian prosperity. China is and will remain for the foreseeable future, our biggest trading partner.

The 2014 report could not be more timely. This year, Australia hosted the G20 Leaders' summit and a state visit by President Xi Jinping. The conclusion of an historic Australia-China FTA provides a baseline against which progress can be assessed. All of us engaged in the Australia-China business relationship can draw much inspiration from this report and for the future of this extraordinary economic partnership.

On behalf of the ACBC Board and our membership I would like to sincerely thank our sponsors, the NAB and the ACC for making this important report possible, and one which has now become a regular and respected reference for the bilateral relationships.



John Brumby
*Chairman of the Board
and National President*

A handwritten signature in black ink, appearing to read "John Brumby".



Australian households are flourishing through our trade with China

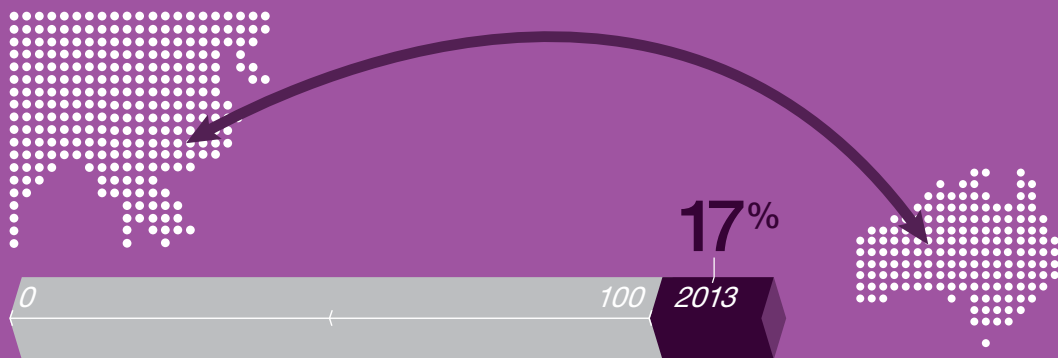
Australia China interdependency in trade and economic activities has never been as strong. Australian households are benefitting through terms of trade, contribution to GDP and employment, as well as ancillary benefits such as share market growth, tax revenue to drive government initiatives and real wage growth

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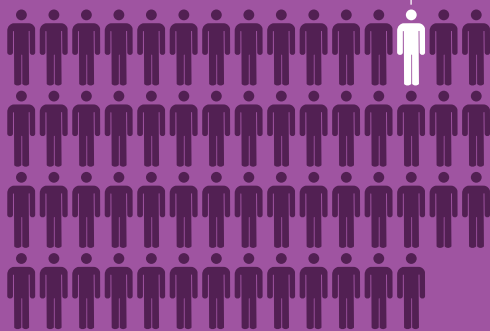
Australia China trade per household grew by 17 per cent in 2013



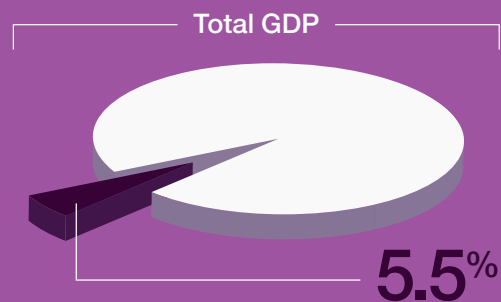
Since 2009 the benefit to the Australian household of trade with China has increased almost fivefold from \$3,400 to \$16,985 in 2013



Approximately one in 58 Australian jobs is sustained by direct export activities to China in 2011

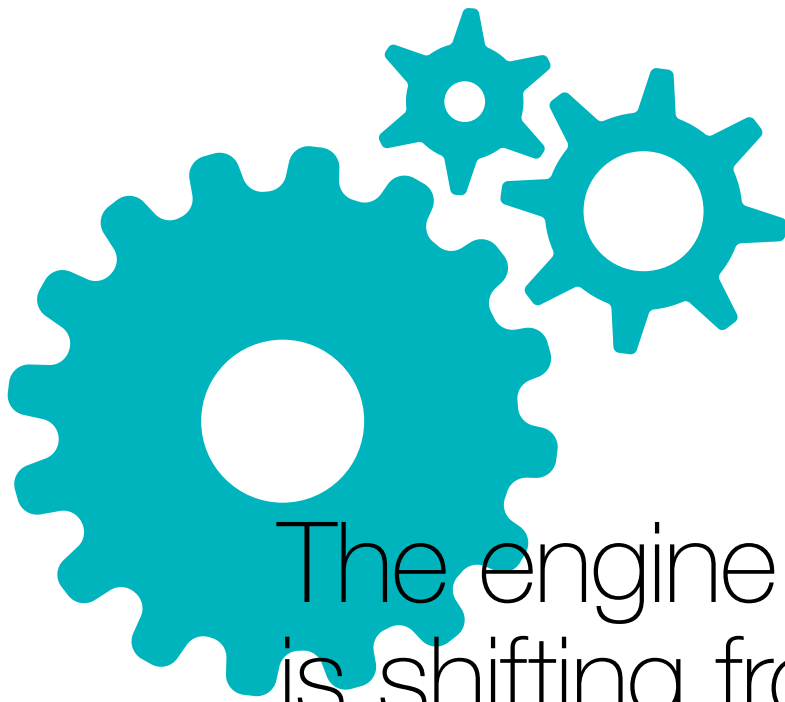


Direct trade with China has contributed 5.5 per cent to Australian GDP, twice as much as agriculture, forestry and fishing



Almost 200,000 jobs were created via direct exports to China in labour intensive industries e.g. 71,000 mining, 18,000 agriculture and 37,000 tourism (hotels and restaurants)





The engine of growth is shifting from resources to other sectors and industries

Australian non-resources exports have experienced strong growth during the final years of the resources boom as the Chinese economy rebalances, generating greater demand for consumer goods, high-end manufacturing and services. Australian goods and services, such as clean food, high value added manufactured goods, tourism and education, are increasingly within the reach of China's growing middle class.

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20% of Australian non resources exports go to Chinese consumer markets

20%



China is the top purchaser of Australian agricultural products and education services, the third-largest buyer of Australian manufactured goods, and a crucial growth market for the Australian service industry



In 2013, Australian exports in beef to China increased nearly four times, oil seeds five times, and other meat exports doubled

China is Australia's top dairy export market with exports to Greater China (China, Hong Kong, Taiwan) increasing 40 per cent in 2013 alone

2012 | 2013

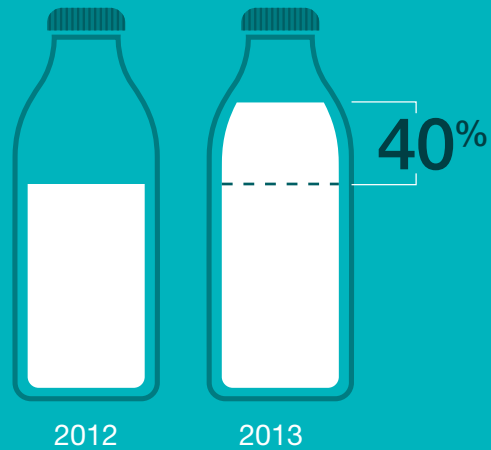
Beef exports



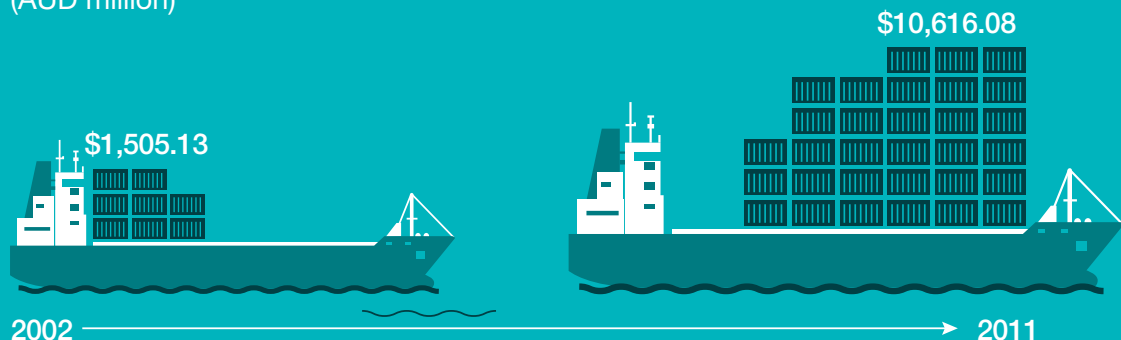
Oil seed exports



Other meat exports



Australian manufacturing export to China has been increasing since 2002 (AUD million)





The power of Chinese value and supply chains

An exclusive ACBC Business Survey conducted for this report shows that cooperation with Chinese partners enables Australian businesses to gain access to new value chains or to improve their position in existing value chains. China is the key link for numerous international supply chains and, as such, is a significant avenue to global markets for Australian exporters.

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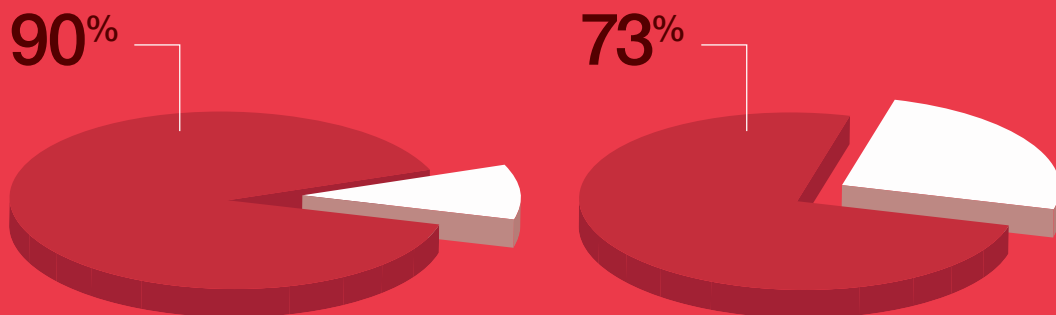


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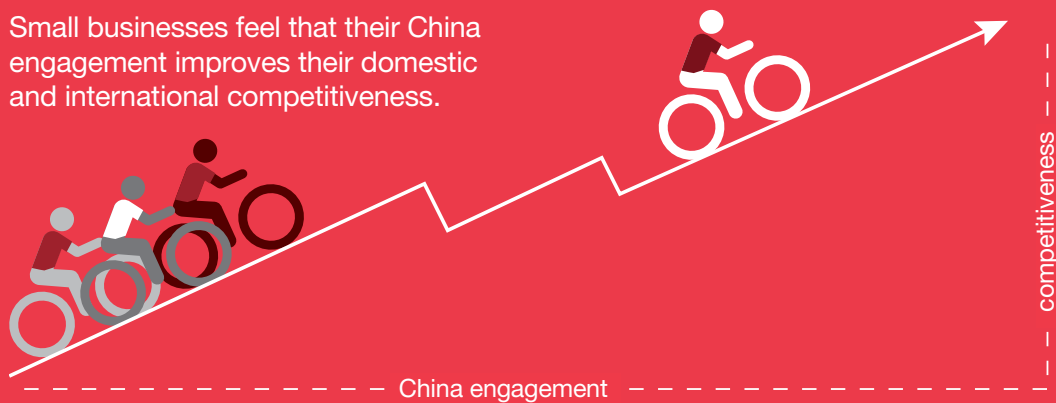
Business engagement with China makes Australian businesses more competitive globally, as they integrate in global value chains.



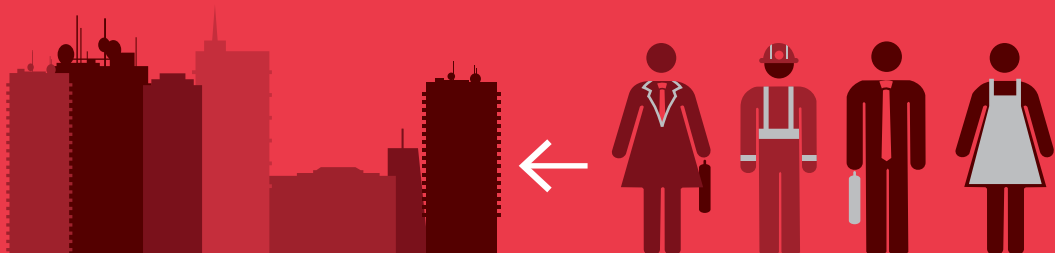
Competitive pressures are pushing businesses towards a China strategy. 90% of surveyed businesses have international competitors and 73% have domestic competitors dealing with Chinese partners.



Small businesses feel that their China engagement improves their domestic and international competitiveness.



Firms that do well in China have a higher tendency to stay in Australia and expand their Australian workforce.



Statements based on the responses from the exclusive ACBC business survey of 200+ businesses that are engaged with China



The outlook for Australia is positive

Businesses surveyed are overwhelmingly optimistic about business prospects with China. Most see China as key to their plans for global expansion, and expect an FTA to help in their business with China.

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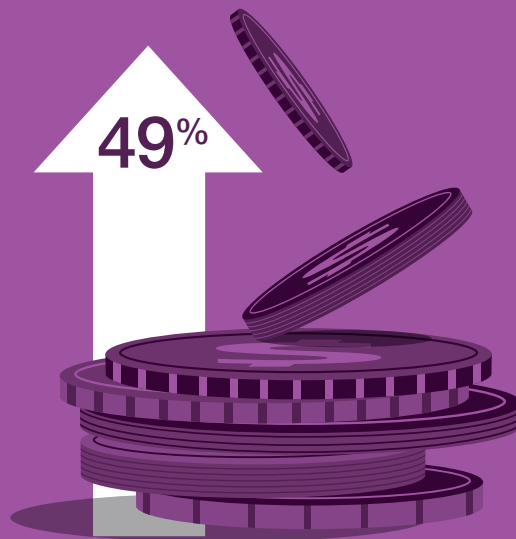


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Nearly 90% of all respondents were optimistic about their business prospects with China.



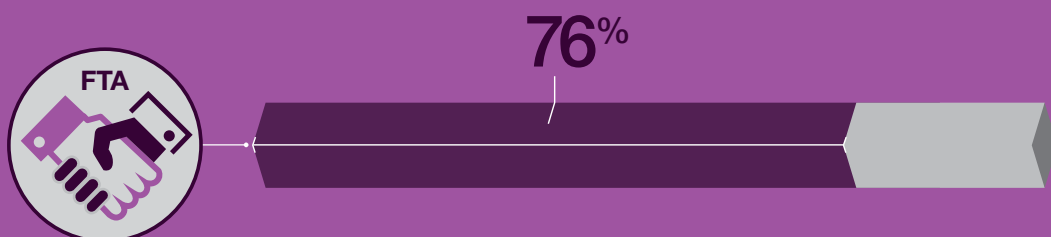
49% of our respondents increased their profits from China related business activities during last year.



Two thirds of Australian firms see China as being of high importance to their plans for global expansion.



76% of respondents expected an FTA to help their business with China.



Statements based on the responses from the exclusive ACBC business survey of 200+ businesses that are engaged with China



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