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PRIME MINISTER

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**TRANSCRIPT OF THE PRIME MINISTER
THE HON. JOHN HOWARD MP
SPEECH TO AUSTRALIAN CHAMBER OF COMMERCE
SHANGHAI CHINA****E & OE**.....

Thank you very much for that welcome. To Minister Liu Qi, Vice Mayor Zhao Qizheng to Mr Marc Gauci, many other distinguished guests, ladies and gentlemen. I want to thank the China Australia Chamber of Commerce for the forum that it has given me today, the first occasion to deliver a speech on my very important visit to China. I want to acknowledge the contribution of the Chamber to business and commercial relations between Australia and China and I also want to acknowledge the contribution of the Australia China Business Council whose President, John Allen, is amongst the members of the business delegation accompanying me. Both of those organisations make an immense contribution to fostering good business and inevitably therefore good personal relations between Australia and China.

This lunch brings together a very strong cross section of the Australian business presence in China and I am delighted to have accompanying me on this visit a very senior delegation of men and women who are leaders in Australian business. It is without doubt the strongest business delegation ever to accompany an Australian Prime Minister abroad and it underlines two things; my determination to present the Australian Government and the Australian business community as partners working together to secure long term economic partnerships in China and also an illustration of the diversity of the commercial and business links that already exist between Australia and China.

It is of course no accident that Shanghai has been chosen as my first port of call as it were in China. Shanghai is China's pre-eminent industrial and commercial city. It is famous in the West for so many things. The Australian business community has close historical links with Shanghai. The Wing On and Sincere department stores - which have been the main department stores in Shanghai for most of the last 80 years - were in fact begun in Sydney by the Guo and Ma families. From modest beginnings they set up branches in Shanghai and

in all the major cities along the Chinese coast and today they remain among the largest department store chains in East Asia.

This visit is also a reminder to me and indeed many, of the great contribution that Australians of Chinese descent have made to our nation and to the relationship between Australia and China. There are some 300,000 Australians of Chinese descent. My own electorate has one of the highest proportions of Chinese Australians in any part of Australia. They have made a massive contribution to every aspect of Australian life and particularly the Shanghainese. Probably the best known of Shanghainese Australians was the late Victor Chang, the eminent heart surgeon who was tragically murdered a few years ago. He was born in Shanghai and later as a child emigrating to Australia.

Australia's business presence in Shanghai is an impressive one. Australian companies have around 250 investment projects here, 52 of which were approved in 1996 alone. Some of Australia's largest investments in China are in Shanghai. They include CUB Fosters, which is developing a new market for beer, an fine example of a well-known Australian product being adapted to a new environment. They include the ACI Glass bottling plant, which incorporates some of the most advanced glass forming technology in the world.

Other Australian operations here include Vinidex Tubemaker's plastic pipes factory, Suspension Components work in automotive parts, and Air International's air conditioning operation. Boral is currently constructing a large plaster board factory here - the largest such factory in China. And I had the pleasure just an hour ago of announcing a joint venture between Sigtech and its Chinese partner, Da Zhong Taxis, to develop a state of the art taxi communication system. That venture is a reminder of the important role that small and medium-sized businesses can play in fostering the partnership and winning niche markets. That firm employs fewer than 50 people and that is a fine example that you don't have to be a large company to do well in such a rapidly growing market.

These and other projects highlight the scale of the business links between Australia and China. In many ways they are a paradigm for our economic relationship with China generally. The experience of the Baoshan iron and steel works - which imports 40 per cent of its iron ore needs from Australia - means that many from Shanghai know Australia as a reliable supplier of raw materials for the industries that are leading China's export growth. Baoshan also uses control computer systems which were supplied by CI Technology in Sydney; and the materials-handling control systems were supplied by Motherwell Systems in Perth.

I had the pleasure yesterday of course of visiting BHP's steel roll forming plant. BHP, incidentally, has been trading in China for over 100 years. The plant is an excellent example of our economic complementarities with China. Australia supplied the primary products. It also supplied the high technology used to process those products. So Shanghai knows that Australian investment can bring to China technology as advanced as that of any nation in the world.

Australia and China, ladies and gentlemen, are very different. It is fair to say, however, that over the past ten years we have both been responding in our own ways to sudden and profound shifts in the international economic order. The same forces of globalisation, technological revolution and international competition are driving change in both countries. Both our economies are undergoing fundamental reform - albeit from different directions and from different stages of development. I want during my visit to China to discuss with her leaders how our economic co-operation might be lifted to a new level. In doing so, we can build on the trust and mutual knowledge that our respective business communities have built up over the years.

The growth and increased openness of the Chinese economy presents enormous opportunities for Australia. China's economy has been growing at around 10 per cent a year for the past 15 years. Australia's exports to China have been growing twice as fast as our global exports. It is important to remember that Australia has had a long and reliable and been an important supplier of commodities to China for very many years. We supplied grain to China for many years - well before diplomatic relations were established and when others would not. We now supply sixty per cent of China's iron ore imports - a major input to China's massive and growing steel-making industry. We are a major supplier of wool. Australia will remain a reliable supplier of raw materials of quality but we can both gain more from exploiting opportunities for two-way investment which would increase returns to both of us.

Chinese companies already have equity in some resource projects. Expansion of this would be very welcome. New areas of cooperation are waiting to be opened up in the mining sector and in LNG, for example, to feed China's vast energy demands. Members of my business group have some very imaginative and attractive propositions.

We need to remove constraints to further growth in areas where we have traditionally cooperated. I am hoping that we shall be able to do this in the wool trade, for example, in the context of our bilateral negotiations on China's accession to the World Trade Organisation

Economic change in both countries has highlighted new sectors for cooperation. The business group accompanying me reflects the growing diversity of our economic relationship and in Australia's particular strengths in financial, accounting and legal services. Australian insurance companies - such as Colonial Mutual Group and National Mutual - are keen to operate in China and come with strong pedigrees. AMP has just been given approval to open a representative office in Beijing.

In Beijing, I will be opening a seminar being held by the Australian Stock Exchange about the opportunities that listing of Chinese companies would provide for raising capital. We aim to show the advantages for high quality Chinese companies of listing on the exchange. Two Australian legal firms, Allens Arthur Robinson and Mallesons Stephen Jacques, have licenses to operate here. Other well-known firms - such as Blake Dawson Waldron, Hunt

and Hunt, Minter Ellison to name a few - are also keen to enter China and have much to offer.

Australia's services sector is among the most advanced in the developed world. Moreover, it has an established record of achievement and contacts throughout the Asia-Pacific region.

The growth of our two-way investment links is a sign of a maturing economic relationship. Australian contracted investment in China has grown strongly in recent years and is now around \$5 billion. Australia is one of the top destinations for Chinese investment abroad.

Growth in China has been the result of economic reform and the opening up of the Chinese economy which began in 1978 under Deng Xiaoping. That growth has been good for the Chinese people, for economies in the region and for the world economy. Moreover, the rapid development of trading and investment links between China and countries in the Asia-Pacific region has been important in engendering a sense of community and shared interests among regional countries. The recent reaffirmation of continued commitment to reform by China's leaders is therefore a very welcome sign of continuity for China's Australian business partners and for the relationship generally. My firm conviction is that government works best when it allows the enterprise of individuals full scope to flourish, when it unshackles business from the often unnecessary regulations and bureaucracy that tie down the dynamism and creativity of business. In Australia, my government has taken a number of significant measures to lift national savings, to improve flexibility and competitiveness in our labour market, and to lift the constraints on small business.

My government is strongly committed to an ongoing micro-economic reform programme which will produce a more competitive Australian economy. That in turn will help the efforts of Australian companies as they develop their business in China.

Ladies and gentlemen, I am particularly pleased to have had this opportunity to talk about our economic relationship with China in general and Shanghai in particular. Shanghai will continue to occupy a special place in the Australia-China relationship. Our business communities have built up over many years a strong reservoir of goodwill and mutual trust. This lunch is fine evidence of that.

Our links with Shanghai have a dimension that is important to the development of Australia's overall relationship with China. Our early cooperation through Baoshan has meant that Shanghai has been important to the growth of personal contacts between our two nations. Some of China's most important leaders, including President Jiang Zemin, have held important posts in Shanghai. In those posts, he - his predecessors and successors - have come to know Australia well and the contribution that we can make to China.

What I have seen and heard over the past two days has given me great confidence in Shanghai's prospects. It is an extraordinary city. It is eleven years since I last visited it and it is almost unrecognisable. The change that has occurred over that 11 year period is quite phenomenal and it is no exaggeration to say that over the last two days I have witnessed a

tiny fraction of the activity that is involved in the area of the world that is industrialising at a faster rate and at a more intense manner than any other part of the globe.

I congratulate those who have been responsible for this. I wish them well in the future. I offer on behalf of the Australian Government, the Australian business community and the Australian people a partnership, a partnership that recognises that there are differences. You have your way of doing things in China, we have our way of doing things in Australia. But providing there is a mature understanding of those differences and that the relationship is always as a proper relationship between two dignified, sovereign countries should be based on mutual self respect then there is every prospect that through concentrating on the future goals that we may share and concentrating on the ways which we can complement each other, particularly in the area of economics, commerce and business, there is every prospect to believe that an already close and valuable relationship to both partners can grow even more in the future and that subsequent Prime Ministers of Australia and subsequent business leaders of Australia can see the association between China and Australia and every start of an economic life as being one of the most of natural things in the world.

To the Chamber, may I take this opportunity of publicly thanking the Vice Mayor of Shanghai for the very great courtesy that he has extended to me and through him can I thank the people of Shanghai for the great hospitality and friendliness that they have demonstrated towards me and my party. I have to say to you, Mr Vice Mayor, that walking along the Bund last night with that very large and enthusiastic gathering of people, I felt as though it were February or March of 1996, on the eve of our election rather than in March of 1997. It was very welcome and it was a nice taste of the innate friendliness of the people of your city. I wish you well. I come with the goodwill of the Australian people and of the Australian Government.

Thank you.