THE AUSTRALIAN

Business
Lendlease, First State Super benefit from long game in China

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943 words
24 April 2018
The Australian - Online
AUSTOL
English

Playing long game in China. Lendlease's head of Asian operations, Tony Lombardo, yesterday outlined to the market the group's plans to expand its Asian footprint.

The Sydney-based development company has been operating in Asia since it set up an office in Singapore in 1973.

The company has operations in Singapore and Malaysia, where it has developed apartments and shopping precincts, but the big news this week was the finalisation of its deal with authorities in Shanghai to develop a $400 million senior living project.

The development is a big step forward for Lendlease in China — a 50-year deal in which it will get to build and operate a retirement village that will have about 900 independent living units.

It leverages the company's experience in that market in Australia, and the credibility of its operations of almost 30 years, to find a business opportunity to service a growing market created by the ageing of the Chinese population.

Lombardo told The Australian this week that the specific deal with the Qingpu local government in Shanghai was the result of 30 months of planning and negotiation with Chinese authorities — a move made by Lendlease in the wake of a specific policy of the Chinese government to encourage more foreign investment in retirement villages.

Meanwhile, Shanghai next month will play host to the second AFL premiership game played in China between Port Adelaide and the Gold Coast Suns.

Some 5000 fans travelled from Australia to China for the event last year, with expectations for an even bigger crowd this year.

Australian business is hoping that one of those in the crowd will be Malcolm Turnbull, who has not visited China since 2016.

Lendlease's announcement was made amid increasing debate about political tensions between China and the Turnbull government that is prompting many in the Australia-China business relationship to look with concern at whether there will be repercussions for the trade relationship.

There are those who are privately worried that some unlucky Australian businesses could be targeted, such as those in South Korea, if or maybe when the Chinese government wants to send a message about the state of the political relationship.

In an interview last week, the Chinese ambassador to Australia, Cheng Jingye, an experienced global diplomat who has worked at China's mission to the United Nations in New York as well as in Geneva and Vienna, expressed his own concern about the state of the relationship.

Mr Cheng said Australia needed to work out its attitude towards China: we could either see its rising power in the world as a threat or an opportunity.

The Lendlease deal, which is one of many ties between businesses in Australia and China, highlights some key issues.

The first is that the Australian market is too small for companies with any major growth plans. Lendlease has operations around the world, including in Europe and the US.

Asia is by far the fastest-growing market in the world, with China one of the key growth engines and markets of the future.

Many Australian companies are now looking to Asia for long-term growth opportunities.

Lendlease is not a fly-by-night company seeking quick riches in China. It is a long-term player and planner looking ahead to market opportunities.

High growth in Asia and the urbanisation and rise of middle classes in the region present business opportunities many times larger than can be obtained here.

The Chinese government sets out very long-term policies and priorities which are clear for business to read.

While President Xi Jinping is imposing more controls in China, including those aimed at cracking down on corruption as well as other moves to increase the party's influence in business, he is also going ahead with an ambitious and very deliberate "opening-up" policy.

This involves targeting specific areas for development, such as the environmental control industry, and the steady opening up of the country's capital markets.

Australian business with China was originally based on selling commodities such and iron ore and coal, but the increasing sophistication of its economy is creating opportunities for a broader range of companies.

Last week the $90 billion First State Super fund spoke about its plans for China. It already has $1bn invested in Chinese shares and private equity deals.

In five years, according to First State Super chief investment officer Damian Graham, this could easily double. First State Super's total assets, he said, could exceed $150bn in seven years.

Like so many big super funds in Australia, First State Super simply has to look offshore for its investment in the future.

The fund is beginning to focus on the Chinese market in its own right as an investment destination, given that the Chinese sharemarket is already the second-largest in the world.

Like Lendlease, First State Super's investment in China (it is the first super fund with a Qualified Foreign Institutional Investment licence) took years to develop. The super fund is closely following the plans to open up the capital markets in China, including allowing a majority foreign ownership of some state-owned companies.

Australia finds itself in an unusual situation where a theoretically pro-business conservative government appears to be at odds with a business-to-business relationship that is getting stronger.

With a close election coming up next year in Australia, the domestic political heat is rising.

US President Donald Trump has showed the short-term political advantage to be gained from playing an anti-foreigner game.

But business plays a longer game.

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