

SE **Business**

HD **Free-trade pact to open doors in China**

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A huge market awaits Australian food and **wine** exports

Nanning businessman He Lining is looking forward to Australia signing a free-trade pact with **China**.

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As a senior executive in the Investment Promotion division of the Guangxi Beibu Gulf Investment **Group**, the Western-educated He has already been to Australia several times to negotiate deals to import Australian **wine** and other food products into **China** — including **dairy**, mineral water and lobster.

In the foyer of his office, in central Nanning, the capital of the Guangxi Autonomous Region in southwestern **China** — a state of 53 **million** people — there is a store selling **wine** from Australia, California and Chile. It is one of 15 wholesale outlet stores his **company** has around **China**.

"Australian **wine** and food has a great reputation in **China**," he says in an interview at the headquarters of the giant investment **company**, which is owned by the state government of Guangxi.

"If the tariffs on Australian **wine** and food can be eliminated there will be a lot more demand." At the moment, he says, Chilean **wine** is popular as there is no tariff on its importation.

But if the tariffs on Australian **wine** and food products come down, he says, prices will come down and the demand will go up.

A "sea turtle", Mr He came back to **China** three years ago after living for many years in the US where he studied and then lectured in economics.

He is excited about what he sees as the new **China** with an increasingly affluent middle-class now trying new food such as **wine** and **dairy** products. His office is surrounded by modern high-rise apartment blocks and office towers.

"All of this is new in the past five years," he says.

If there is an economic slump going on in **China**, no one has told the people of Nanning, the prosperous capital of Guangxi with a population of more than seven **million** people. Cranes still dot the skyline of rows of high-rise apartment blocks and hoardings surround new developments.

Unlike many of the big cities on **China's** east coast, Nanning has managed to keep its air pollution down with the use of electric motor scooters as well as cars.

It makes for a strangely silent feeling on the roads despite the steady streams of motorcycles, which in many instances have their own lanes, separate from the cars. Once the centre of a vast agricultural province, which still produces 70 per cent of **China's** sugar, Nanning is now very much a modern city which is becoming a growing centre for **Chinese business** with Southeast Asia.

This week it hosted the 11th annual **China**-ASEAN expo, a giant trade fair that attracts thousands of businesses from across the region.

Electronic manufacturing **company** Foxconn is building a new \$800 **million** plant on the outskirts of town to manufacture tablets and smart phones for Apple.

It was part of a deliberate move by the state government to attract more manufacturing to the region and a decision by Foxconn to move inland where labour is a lot cheaper than its home base in Shenzhen, across the border from **Hong Kong**.

Mr He takes us to an upmarket supermarket opposite his office that is selling Australian **wine**, including Rosemont Estate, Lindemans, Wynns Coonawarra Estate, Brown Brothers, Penfolds Bin 407 Cabernet Sauvignon and Moss Wood from the Margaret River.

There is also a small selection of Australian meat and UHT **milk** produce, including packs of Devondale full cream **milk** and Bega **cheese**.

He can see the changing demand of **Chinese** consumers now wanting to **buy** foreign-made **wine** and food products, particularly **dairy**, and is keen to see more Australian food products come into the southwest region of **China**, where he now lives.

"Maybe I should come and talk to your senators to tell them to sign the free trade pact," he jokes "Ten years ago in **China**, nobody drank **wine**. Now they are trying **wine** and high-end food products. Bottled water was a luxury in **China** many years ago. Now you can **buy** it anywhere." At the moment a bottle of imported **wine** can easily sell for about \$100, but Mr He points out that if the price can come down, more middle-class **Chinese** would be willing to try more as their tastes are changing and they are becoming more adventurous.

Mr He admits that the crackdown on corruption has seen a cutback in the demand for luxury goods including **wine** by public officials in **China**. But he argues that this is more than offset by a big increase in demand for **wine** by **business** people and others in the private sector.

The most popular **brand** of Australian **wine sold** by the Beibu **group** is a Cabernet Sauvignon called The Corker, produced by the Salena Estate. It also sells a much sweeter Pink Moscato, which is popular with young women, and a Moscato Bianco.

Mr He argues that Australia needs to appreciate that there are many regions in **China** with significant market potential, not just the big eastern cities of Beijing, Shanghai and Guangzhou.

"We are more diverse than what a lot of foreigners think," he says. "Nanning is a modern, well-managed city which needs more visibility." Subtropical Nanning, which is a sister city with Bundaberg in Queensland — a relationship going back to the earlier days of the sugar industry — has a coastal region and a deep sea port and a border with Vietnam.

Mr He, who points out that the Guangxi coast is the closest distance between **China** and Australia, says the installation of cold storage plants on the ports would make it easier for Guangxi to import more food products from Australia.

"The installation of more cold storage facilities would see more and more Australian **dairy** products in **China**," he says.

Nanning has not been on the map for most Australian **business** but it is starting to change. Mr He says he has met four delegations of Australian **business** people this year, including those involved in baby food and meat products.

Mr He says Australia has a good reputation for both its clean food and other products, adding that he has friends in Nanning who ask their friends in Australia to send Australian baby food formula as well as baby strollers and car seats. Mr He argues that there is also a market in Guangxi for snack products, such as peanuts, macadamia nuts and dried fruit.

Part of the new breed of internationally educated **Chinese** businessmen, Mr He acknowledges the slowdown in the **Chinese** economy but argues that an economy growing at about 7 per cent is a lot more sustainable than the 10 per cent a year the **Chinese** economy has been recording in the past. "**China** is in a new normal at this stage," he says.

"In the past we had growth rates of up to 14 per cent a year. Today 7 per cent for a country of **China's** size is strikingly well. We do see a slowdown but I feel more comfortable now than in the 'golden days'

when growth was at 13 and 14 per cent.” Mr He argues that foreigners often don’t appreciate the potential market in the more inland parts of **China**, including Guangxi.

Nanning is about to be connected to five high-speed rail lines from eastern cities such as Beijing and Wuhan. “It will change people’s lives,” he says.

Mr He hopes that the trade pact between Australia and **China** is signed soon and that Australian companies take the initiative to sell more food to **China**.

“More and more foreigners are tapping into the **Chinese** market. Australia can work with us on food products. There is huge potential here.” Glenda Korpelaar was in Nanning as a guest of the **China**-ASEAN trade expo.

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