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HD **Deal opens doors to sale of the century**

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Australian business is celebrating new access to China's 1.3 billion consumers

CHEAP Chinese imports left Australia's rag trade in tatters, but China's free trade deal is kindling a manufacturing renaissance.

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Australian Weaving Mills — the nation's only manufacturer of towels — shed 80 per cent of its workforce when Australia slashed its tariffs on imported textiles two decades ago.

This year, the Wangaratta factory flogged a million Dri Glo towels to Chinese department stores. It plans to sell millions more once China cuts its 25 per cent tariff on Australian exports, under the ground-breaking trade deal signed by Tony Abbott and Chinese President Xi Jinping this week.

A leaner manufacturing sector is now keen to cash in on reciprocal reductions from Australia's biggest trading partner, and market the Made in Australia brand to China's 1.3 billion consumers.

"There are more millionaires in China than all the people in Australia,'' says AWM managing director Michael Mazur, who plans to pitch high-quality cotton towels to the brand-conscious Chinese. "The Chinese department stores want a point of difference from the local product, so they are into prestige and international labels. In China, it's all about showing your wealth.'' The deal — technically a Declaration of Intent, due to be finalised within six months — will give Australian farmers, miners, manufacturers and service industries unprecedented access to the world's second-biggest economy. China has agreed to axe tariffs that are as high as 40 per cent for 93 per cent of Australian exports, by value, within four years. Australian textiles will be exported to China duty-free by 2019.

Australia's furniture industry — decimated by cut-price imports from China — is now anticipating a revival as it markets exclusive "eco-friendly'' products to cashed-up Chinese consumers.

Australian Furniture Association chairman Carlo Gosatti, who runs the Inglewood Products Group in Western Australia, says Australia's safety standards — which restrict the use of carcinogenic chemicals often found in cheaper Chinese wood products — and the beauty of sustainably harvested native timbers give Australia a natural advantage.

"We can step up,'' Gosatti says. "We can't compete on the labour component but we can compete on design and quality. Let's not battle at the bottom end of the market — let's compete at the higher end. One of the advantages is our native timbers and our high Australian safety standards that would position us equally against the Italians and Spaniards.'' Brisbane businessman David Goodwin plans to set up 200 Australia Made Shops across China. The flagship store, due to open in January, will be flanked by luxury goods brands Prada, Bulgari and Valentino in Shanghai's designer district. The stores will stock Blackmores vitamins, sheepskin boots manufactured by Ever Ugg, Blend and Pack baby formula and Kangaroo Paw olive oil. The stores will have door handles plated in Australian gold, living "green walls'' lined with plants, and interactive screens. Goodwin hopes to open concession outlets in China's luxury department stores.

His target market in China is “the young, the old and the beautiful’’ — including Chinese students and tourists familiar Australia. “The Chinese want authenticity and they will pay for it,’’ says Goodwin, a former chairman of the Queensland Chamber of Commerce and Industry. “If it’s anything to do with babies, people won’t quibble about the price. They do see us as clean and green.’’ Goodwin sees vast opportunities for Australian manufacturers selling top-quality products to China’s fast-growing middle class. “Everyone talks about the Coles-Woolworths duopoly,’’ he says. “You can complain about it until you’re blue in the face but the alternative is to find a third way — and that’s exports.’’ Australian winemakers are toasting the pending removal of Chinese tariffs of 14 to 30 per cent on Australian wine. Farmers will benefit from the abolition of beef tariffs, ranging from 12 to 25 per cent, within nine years. Dairy tariffs will be eliminated within 11 years, including the axing of the 15 per cent tariff on infant formula within four years.

Chinese tariffs on Australian fruit and vegetables — now as high as 30 per cent — will be abolished within eight years and the 15 per cent tariff on seafood will go within four years. China will retain tariffs on Australian sugar, wool, rice, vegetable oils, wheat and cotton.

Agriculture Minister Barnaby Joyce predicts the trade deal will give farmers a bigger piece of prosperity. “Everything now is about bringing profits back to the farm gate, so working farmers get paid more and can afford to renovate their kitchens and buy a new car and go on holidays like other people,’’ he tells Inquirer. “This is an extremely good outcome for dairy, beef, wine and agriculture. We are disappointed sugar wasn’t included.’’ Australia will axe all its residual tariffs — generally set at 5 per cent — on Chinese imports. Shoppers can expect prices to fall by two to three per cent for clothing, whitegoods and electronics made in China. Australia will retain the right to impose quarantine and other measures that now block imports of meat and most fresh fruit and vegetables from China.

Chinese investors will be given virtually unfettered access to buy Australian commercial property and businesses — from retailers to banks and manufacturers. The Foreign Investment Review Board will no longer meed to scrutinise most Chinese acquisitions under $1.076 billion — four times higher than the existing level of $248m.

The FIRB will still be able to screen proposals in “sensitive industries’’ including the media, telecommunications and defence-related sectors. It must scrutinise all investment by Chinese state-owned enterprises, regardless of size, as well as proposals to buy farmland worth more than $15 million, and agribusinesses valued at more than $53m.

The deal is one-way: Australians still cannot buy Chinese farmland. But they have won new rights to invest in China’s burgeoning services industries. Australian companies will be able to set up hospitals and aged care homes across China. Australian investors will be allowed to build, renovate and operate wholly Australian-owned hotels and restaurants in China, and set up wholly Australian-owned travel agencies and tour companies.

For the first time, Australian companies will be allowed to undertake joint construction projects in Shanghai, and Australian law firms will be given easier access to the Chinese market. China has also pledged to make it easier for Australian banks to operate, and will let Australian companies sell third-party car insurance.

Entrepreneur Dick Smith, who champions Australian farmers through his eponymous line of home-grown groceries, sees pluses and pitfalls. He believes the Chinese middle class will be more appreciative of Australia’s “clean, green’’ reputation than Australian shoppers, who tend to rate price over patriotism.

“I encourage Australian farmers to export,’’ he tells Inquirer. “We (at Dick Smith) are having difficulty selling Australian food to Australian consumers, but the Chinese middle class will buy Australian food because it’s healthier.’’ What worries Smith is that savvy Chinese investors will snap up Australian farmland to build their own farm-to-fork production chains, and send all the profits home. “They buy our land, but I’m not allowed to buy productive land in China,’’ he says. “The Chinese will just come and buy the farm and then presumably market it to their Chinese friends. It’s a short-term gain that will disadvantage our future generations.’’ Joyce — the National Party deputy leader who campaigned against “selling the farm’’ during his years in opposition — insists the FIRB will closely scrutinise Chinese investment in farmland.

“The cumulative impact is important,’’ he says. “No one cares about people owning one farm, but if it were thousands they would. We now have a portion of Australia 2.2 times the total size of Victoria, that is fully or partly foreign-owned. So on a cumulative basis, there is an increased expectation it will be closely monitored.’’ To the dismay of Australian unions, Chinese companies will be allowed to bring their own workforce to work on infrastructure projects worth more than $150m. The Department of Foreign Affairs and Trade told Inquirer all workers would have to meet “agreed English language requirements’’, although “minor concessions may be considered’’.

“Employers must comply with all relevant Australian employment and immigration laws,’’ DFAT said. “Before visas are granted to workers under these concessions, employers may be required to demonstrate an ongoing labour market need before the overseas worker is granted a visa.’’Australian Council of Trade Unions secretary Dave Oliver fears the deal will “create an incentive for employers to bring in cheap labour’’. “We got it first-hand from **Chinese** officials who were quite open in saying they wanted to act in the interests of their people, and look for employment opportunities offshore,’’ he tells Inquirer. “The biggest challenge will be trying to police this.’’

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