

SUBMISSIONS FOR AGRICULTURAL COMPETITIVENESS GREEN PAPER

These submissions have been prepared by the AustCham Greater China Food & Agribusiness Working Group. The AustCham Food & Agribusiness Working Group has been set up by the Australian Chambers of Commerce in Shanghai and Beijing to identify key investment issues that Chinese investors face in Australia and key investment and trade issues that Australian companies face in China.

The AustCham Food & Agribusiness Working Group has reviewed the *Agricultural Competitiveness Green Paper* and also the *White Paper Pivot North - Inquiry into the Development of Northern Australia: Final Report* has 4 submissions. Submissions are focussed on attracting Chinese investment, particularly into Northern Australia infrastructure.

Submissions

- 1 The Australian government should specifically target China as a source of investment. China is uniquely placed in particular to solve Northern Australia's infrastructure issues.
- 2 To attract Chinese investment into Northern Australia, the Federal and relevant State governments should:
 - (a) present a unified approach to promote specific projects in Northern Australia to Chinese investors and contractors;
 - (b) encourage Chinese investment into primary production and agribusinesses in Northern Australia. Experience has shown Chinese investment starts in producing assets and moves into supporting infrastructure; and
 - (c) offer certain limited incentives to Chinese companies to invest in Northern Australia.

Background to submissions

The AustCham Food & Agribusiness Working Group recognizes that our submissions anticipate an active and potentially interventionist role for the Australian state and federal governments. We believe this is necessary, firstly to attract and encourage Chinese investors, who like to see government support in projects. Secondly it helps to overcome the difficult and in many cases marginal commercial feasibility of projects in Northern Australia.

China's unique position to solve Northern Australian infrastructure problems

China is the single largest investor in developing country infrastructure. It has five of the world's 10 largest infrastructure contractors, and four of the world's 10 largest banks. These companies are used to delivering projects on time and on budget in remote and difficult locations and in many cases where the projects are of marginal commercial feasibility. Projects in Northern Australia will have many of these characteristics.

Chinese companies may be interested to invest into Northern Australia because it could be a platform for them to enter a developed market which to date they have struggled to access. Chinese contractors and equipment suppliers lack a track record and there are concerns among Australian investors and

banks around quality and recourse to the contractor in the event of default. Northern Australia projects may be an opportunity for good Chinese contractors to develop a track record in a developed market .

The Federal and State governments should promote specific Northern Australia opportunities to Chinese contractors

Northern Australian projects could be packaged and presented to Chinese investors, Chinese contractors, the Chinese government and Chinese industry groups.

Ideally, the Australian government would have a key role in presenting the projects in order to convey support for the project. While this is an unusual role for the Australian government, Chinese companies respond favourably to soft government support. UK Trade & Investment has demonstrated the benefits of an active approach - investments by Chinese companies into Hinkley Point Nuclear project and into Manchester Airport resulted directly from work done by UKTI.

To further demonstrate support the federal or state governments could also consider signing a broader, non-binding framework agreement for cooperation around Northern Australian projects. This would be useful to engage senior Chinese Government involvement, which would in turn put pressure on the Chinese investors to invest in the projects.

Encourage Chinese investment into primary production and agribusinesses in Northern Australia

Chinese patterns of investment have shown that Chinese investment tends to start in production assets and then move into supporting infrastructure.

The reasons for this pattern of investment are threefold. Firstly, Chinese investors feel they better understand the income stream for an infrastructure asset where Chinese companies are key users. Secondly, Chinese companies frequently invest in cheaper, stranded assets on the basis that they can solve infrastructure issues that will increase the value of the original investment. Thirdly, if the infrastructure supports Chinese producing assets, it can help to satisfy the Chinese content requirements of policy banks like China Development Bank (CDB) and Export Import Bank of China (CEXIM).

Accordingly, Chinese investors need to be encouraged into primary production and agribusinesses in Northern Australia. We note the FTA restrictions upon investment in agricultural land and agribusiness are a step backward in this regard, however, there is increasing understanding of the Foreign Investment Review Board (FIRB) by Chinese companies, and it is not as much of an issue as in the past.

Offer incentives to investment

The North of Australia has struggled to attract investment to date. Accordingly, the government may need to intervene to provide some support for investment.

AustCham's draft agricultural survey indicates that government incentives to investment are the second most important step that Australia should take to encourage Chinese investment into Northern Australia. Support could take a number of forms, and does not necessarily need to be financial.

Chinese EPC Contractors would like more relaxed visa rules to allow some Chinese workers into Australia to complete projects. This could be achieved within the framework established as part of the China Free Trade Agreement (FTA) for movement of workers.



Chinese banks would like some kind of government support for the offtake. This is unusual for developed countries like Australia, and may not be necessary depending upon whether the project is commercially feasible.

Chinese investors would like tax incentives to support their projects and also assistance in fast tracking or simplifying the approval process for projects. Again, these may not be necessary depending upon competitor for the project.