

Introduction

More than 150 years ago, the Gold Rush brought tens of thousands of Chinese migrants to Victoria.

They called our State “New Gold Mountain” – a place of great opportunity.

In recent times, that term – “New Gold Mountain” – could just as equally apply to China.

People from all over the world are rushing to China to be part of its emergence as one of the world’s new economic super powers.

It’s an emergence that is finding voice in Beijing right now – as that great city prepares to host the opening ceremony for the 29th Olympiad.

Regarding the Olympics, let me say this.

Having been in China in February I have no doubt this will be one of the most spectacular Olympics ever ... and, of course, I hope our athletes strike gold.

It’s an exciting time – and a time of great opportunity for China and its friends.

And Victoria is proud to be one of China’s friends.

Today, I want to talk to you about:

My Government’s – and my own – strong and ongoing commitment to Victoria’s relationship with China

And some of the tangible business outcomes we’re seeing flowing from that commitment.

A new direction

But let me first take you back 36 years to December 1972.

It was then that Gough Whitlam, hot on the heels of a historic election victory for Federal Labor, moved to establish formal diplomatic relations with the People's Republic of China.

He said at the time:

Australia is moving in a new direction in its relationships with the world and specifically with the region in which Australia inevitably belongs. The course that we are setting is already clear and committed; our concern is no longer exclusively with nations in far removed areas of the globe.

Thirty-six years later, the ‘new direction’ Whitlam talked about has become an everyday reality for Australia.

China is now a regional powerhouse ... one of our most important economic partners ... and a vital part of Victoria’s future prosperity.

I’m sure, even Whitlam, could never have imagined that Australia would so soon have a mandarin-speaking Prime Minister!

Victoria's relationship with China

It's fair to say that Victoria's relationship with China has never been so strong ... and we have never been more important to one another than we are today.

It is a relationship our Government will continue to nurture ... and it is a relationship with huge potential.

Two years ago, China became our largest trading partner. Two-way trade between Victoria and China was worth \$10.7 billion in 2006/07. Our exports have increased by over 30% since 2002 ... and Victorian imports from China have increased by over 90% during the same period.

And Victoria has benefited from increased investment from China via companies such as:

Hisense Australia Pty Ltd, which has entered into a 6 year naming rights deal with Melbourne Park, which grants them the rights to Hisense Arena, formerly known as Vodafone Arena

China National Chemical Corporation (ChemChina), which acquired Quenos in 2006

And Harbin Power Engineering, the Chinese power giant, which I will talk more about shortly.

Our strong ties with China are best illustrated by the increasing number of Chinese tourists coming to Victoria.

In the year ending March 2008, Tourism Victoria estimated that over 148,000 people from China visited the state. That makes China our third largest tourism market, behind New Zealand and the United Kingdom.

It is, in fact, our fastest growing tourism market – with the number of visitors from China growing by an average of 17.5 per cent each year over the past eight years. And by 2012, it's forecast that China will rise to number 1 in terms of international visitors to Victoria.

The potential export and investment opportunities for our state are massive ... and it is crucial that the Victorian Government and Victorian companies continue to look to China ... and continue to strengthen their presence in China.

We must seize the opportunities on offer ... and that means committing to the China relationship ... it means doing the groundwork ... building relationships ... and creating an environment in which we can do business.

China Strategy

That's why I commissioned, and our Government launched, its China Strategy in 2005.

The aim of the strategy is to cultivate a broader and deeper relationship between China and Victoria ... and it has a particular focus on:

Our trade and investment relationships

Our science and technology linkages ... and our cooperative research activities

Improving links with the private sector

And better focussing and coordinating activities related to China across the whole of Victorian Government.

Our strategy is also focused strongly on the opportunities in the services sector. So much of the national focus on the China-Australia economic relationship is about trade in physical goods. But the opportunities in trade in services are enormous.

Tourism, as I have mentioned, is one example. Education is another.

In the area of education ... it's about developing even broader and better linkages between the countries. Last year, over 105,000 students from China studied in Australia ... with just under one third coming to Victoria (29.2%).

The Minister for Education – Bronwyn Pike – will travel to China and Hong Kong in September to build on these linkages across a range of educational areas. It is set to enhance Victoria's already strong reputation as a provider of quality education services.

Importantly, the Strategy also aims to foster a deeper cultural awareness and understanding between China and Victoria.

This includes a major focus on the arts ... and I'm very proud that the Victorian Government's gift to the people of Jiangsu Province – a beautiful tapestry woven here at the Victorian Tapestry Workshop – now hangs in the magnificent new Nanjing library, which I visited in earlier this year.

2008 Mission to China

In February, I led a high level trade mission to China.

The mission involved visiting five major cities – Beijing, Nanjing, Changzhou, Wuxi and Shanghai. Its aim was to demonstrate and to strengthen our commitment and connections to China ... and to explore new opportunities for Victorian businesses.

Vic's early forays into China date back more than 30 years but our Sister-State relationship with Jiangsu Province – now 29 years old – is an enduring example of the kind of ties that bind.

It has been a valuable and positive arrangement.

It started - 29 years ago – as a vehicle to grow our friendship.

In that time, successive governments have developed it to take on a trade and investment flavour, but we recognised that the time was right for both sides to modernise the arrangement and give it a clearer focus and purpose.

In late 2006, we asked our Governor, Professor David de Kretser, to begin discussions with the Governor of Jiangsu to see if we should – and could – update the documents that underlie our longstanding friendship.

It was an exercise well worth doing because we now have a modern document that has refreshed the relationship ... and one that will continue to encourage both sides to work collaboratively and to grow.

Governor LUO Zhijun, Governor of Jiangsu, and I signed the 'refreshed' Sister-State relationship document while I was in Nanjing.

The Sister-State arrangement focuses on a range of whole of Victorian Government activities ... but, importantly for Victorian businesses, it has a special focus on trade and investment outcomes.

As well as providing a clear framework for the relationship, the arrangement includes:

A number of 'access' points to enable Government and business to work through any 'issues' of concern

And a cooperative information sharing element ... to allow Government and business to better connect with their key stakeholders.

These initiatives alone should, I believe, make it easier for business to get on with the job of doing business in China.

Our Sister-State relationship also reaffirms a commitment that the two governments will aim to meet at least once each year – alternating between Melbourne and Nanjing – at the Victoria-Jiangsu Joint Economic Council (VJJECC) meetings.

I attended the meeting of the 12th VJJECC during the visit in February which focussed on two areas of activity – the Automotive sector - especially design & technology - and Urban Planning and Design.

We agreed that the 13th VJJECC in 2009 will continue the focus on the automotive opportunities, as well as promote more activity in the vitally important area of environmental & water technologies.

I will talk more about some of the business outcomes we've seen in these areas shortly.

The visit also saw the signing of a Memorandum of Understanding with an arm of MOFCOM, the Chinese Central Government's Department of Commerce.

Again, this arrangement was about securing access, instituting processes ... and enabling connection for State officials and business people to get business done.

All this government to government activity is attracting attention ... and it is paying dividends.

As a result of this significant long term commitment to China, the Shanghai Municipal Government approached us to explore the development of a Memorandum of Understanding with Victoria.

It is significant – and a clear recognition of the reputation Victoria has established in China – that it was the Shanghai Government that asked us to consider the MoU. Their request followed our regular visits to Shanghai and the establishment of our major office there.

Their approach sent a clear signal that Victoria was viewed as an important business partner ... and seen as a place where the municipal government and Shanghai-based companies could do business.

I was very pleased to be able to sign a letter of intent to develop the Memorandum. Charles Brent, the Victorian Government's Commissioner for Greater China (based in Shanghai) and Ben Foskett are working on the draft MoU document right now.

Building these kind of ties ... creating these links ... between China and Victoria is absolutely essential if we are to seize the opportunities on offer.

But it requires patience and it requires diligence.

And as you all know, patience, persistence and 'face time' are absolutely critical in building lasting and productive relationships in China.

My meeting with Mr LI Yuanchao – the Minister of the Central Organisation Department of the Party – was a good example of the strength and depth of the relationship.

Party officials of Mr LI's seniority and standing rarely meet with foreign officials ... and even less so with representatives of foreign provincial governments.

I was very grateful he made an exception for me.

Mr LI is the former party Secretary of Jiangsu and over my many visits to China and to Jiangsu since 1999 I have developed a good friendship and relationship with Mr LI.

It's a lesson I'm sure that many of you understand – that it's well worth the time and effort to build as wide a range of contacts in China as you can ...

.. because the people you meet and the relationships you cultivate today may well blossom into much bigger and even more valuable associations in the years to come.

That benefits Victoria and it benefits Victorian businesses. And we are reaping the dividends of our long-standing commitment to China right now.

Business opportunities and outcomes

A good example is China's large and rapid urbanisation program.

The program offers huge potential for Victorian firms in the areas of building and construction services ... and particularly in urban planning and design.

China is increasingly embracing innovation and best design principles to achieve sustainable urban development.

Indeed, the Shanghai 2010 World Expo ... to which the Victorian Government has committed \$6 million – the largest State participation alongside the Commonwealth – has as its theme:

Better Cities Better Lives.

AusUrban Cluster

It is against this backdrop that the AusUrban Cluster (AUS Cluster) – which our Government initiated in 2005 – is winning major projects in China.

AUS Cluster is committed to a practical approach to urban sustainability – one drawn from the Melbourne experience.

It is built on the idea that the new urban systems developing in the three emerging markets of India, the Middle East and, in particular, China, could benefit from the practical, multi-layered approach demonstrated here in Victoria.

AUS Cluster draws on Melbourne's success in delivering practical sustainability ... where liveability and economic sustainability are the key drivers that allow environmental sustainability to follow.

We saw a good example of the kind of work AUS Cluster is embracing when we visited Lake Ge and Lake Tai near Changzhou in February.

I was shown through the region by Mr SHEN Ruiqing, the Wujin District Party Secretary in Changzhou ... and saw up close the severe damage that intense blue-green algae blooms were causing.

The impact of the algae will continue to have a devastating impact on the region ... in terms of water pollution ... and in terms of water shortages.

Indeed, the supply of drinking water to Wuxi has been suspended.

It is estimated that around \$300 million worth of opportunities have been identified around Lake Ge alone – opportunities for Victorian companies who have expertise in urban planning and design, in water and waste management, in water technologies, and in environmental engineering.

AUS Cluster has already signed a Memorandum of Understanding (MoU) with the Wujin Government.

The MoU will see AUS Cluster work on collaborative projects to address environmental and urban development issues in the region surrounding the lake.

And GHD Pty Ltd, Hyder Consulting Pty Ltd, Orica Water and Earthsystems can provide a wide range of expertise and practical solutions to major environmental problems like this.

The companies will also be involved in developing options for managing the environmental challenges of remediating Lake Ge.

AUS has already established strong relationships with Jiangsu Province through collaborative demonstration projects in Qilin and Zhenjiang, and in the redevelopment of Jiangsu Province rural town of Xuyi into an eco-agricity.

Projects like these demonstrate just how effective the cluster approach is to doing business in China ... and the importance of our work in cultivating strong government to government relationships in the provinces.

It is a genuine Victorian success story.

And it's a terrific example of how relatively small Victorian companies can work together with Government to gain greater visibility, access and success in a vast market place like China.

HRL

During my meetings in China I also talked about the economic opportunities that will present themselves in the new global climate change economy.

In particular, I raised with many Chinese officials the HRL/Harbin project.

This \$750m project is a collaboration between Victorian grown HRL and the leading Chinese power station engineering firm – Harbin Power - with support from both the state and Federal governments.

China and Victoria have some of the world's largest supplies of brown coal. Together we face the challenges of developing technologies that make it a cleaner and a more sustainable energy option.

This project will demonstrate new technology which dries brown coal, significantly reducing carbon emissions. And, importantly, it will be Carbon Capture Storage ready.

The Government announced last month that the project is on track, with the Large Scale Demonstration Plant coming on line in the Latrobe Valley in 2012/13.

The potential benefits of this project, in terms of tackling climate change, are significant.

China continues to add one new coal-fired station every week – but if this technology is demonstrated commercially and applied across China, the reductions in global CO2 emissions will be enormous.

Conclusion

These are just some of the encouraging outcomes we're seeing for Victorian businesses in China.

Our Government is committed to ensuring the momentum continues ... and to developing an even closer and respectful relationship with China.

It is a relationship that has prospered over the past three decades – one that, I know, will only strengthen and grow in the years ahead.

Finally I want to thank the ACBC and the Asia Society for the opportunity to talk to you today ...

.. and I want to congratulate you on the tremendous work you do here in Victoria.

The ACBC is our most respected and influential Australia-China industry association and a key player in promoting business & trade between the two countries.

The Asia Society plays a vital role in raising awareness and understanding of Asia within our community ... and strengthening links with our regional neighbours.

On behalf of the Victorian Government – I want to thank both organisations for their hard work and commitment to building and nurturing our links with China, and with Asia generally.

Thank you.