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**A U S T R A L I A N C H A M B E R O F C O M M E R C E A N D I N D U S T R Y**

16 August 2005

Mr Michael L'Estrange  
Secretary  
Department of Foreign Affairs & Trade  
RG Casey Building  
John McEwen Crescent  
BARTON ACT 221

Dear Mr L'Estrange

**Riding the Chinese Dragon: Opportunities and Challenges**

Please find enclosed a copy of a new position paper prepared by the Australian Chamber of Commerce and Industry (ACCI), which details the Chamber's latest commentary on Australian business' views on our nation's commercial relationship with China and the key issues that will arise in the negotiations on an Australia-China Free Trade Agreement (FTA).

ACCI welcomes the announcement by the Australian and the Chinese Governments of the launch of negotiations toward a bold and comprehensive bilateral FTA.

The two governments must pursue a bold and comprehensive Agreement, with the broadest sectoral coverage and the highest degree of liberalisation. The FTA must build on the substantial trade complementarities, and potential, which exist between Australia and China.

Modeling work undertaken by the Chamber shows Australian exporters have generally realised the strong complementarity between Australian exports and Chinese imports. That is, for a given export profile, Australian exporters are doing relatively better in the Chinese marketplace than in other export markets.

If realised, an Australian – China FTA would place Australia in a unique position – having FTAs with two of the world's major economic powerhouses – China and the United States of America.

China has come a long way over the past 25 years since the Chinese leader Deng Xiaoping launched in 1978 his program of 'capitalism with Chinese characteristics' – that is, replacing the failed central planning model with dynamic market economics.

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**L E A D I N G A U S T R A L I A N B U S I N E S S**



According to the Australian Department of Foreign Affairs and Trade 2003 monograph *China's Industrial Rise: East Asia's Challenge*, "China's economy could surpass Japan's by 2030."

They say that "over the next few decades, if China reforms stay on track its economy could expand until it approaches the size of Germany in 2010 and rivals Japan by 2030." They are sixth today.

However, as we point out in the attached Position Paper, there are a number of major challenges confronting the Chinese economy – such as weakness in its financial system, imbalances in its industrial structures, shortages of energy and its exchange rate policies – which have profound implications for China, for Australia and for the world economy.

If these challenges can be overcome, China will bear out the foresight of former French Emperor Napoleon Bonaparte when he observed, almost two centuries ago, "Let China sleep, for when she awakes she will shake the world."

I hope you find the attached Position Paper informative and thought provoking.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Peter Hendy', is written over a light blue horizontal line.

Peter Hendy  
Chief Executive