

FTA Ignores China's Biggest Challenge

John O'Brien, Australian CleanTech

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The signing of the Free Trade Agreement (FTA) with China is a great achievement after many years of discussions and will serve both countries well. As has been written extensively this week, Australian agriculture and service sectors will grow their revenues quickly as they benefit from the demand for high quality, safe food and professional advice.

The general perception of Australia in China is that we are a clever, clean and innovative nation with residents that are sometimes rude, enviably lazy and maybe a bit soft when negotiating. We are seen as less pushy than the Americans, less arrogant than the Europeans and there is a feeling that Aussies are generally a good people. This is a very strong platform to build lasting relationships and the FTA can only strengthen this.

The focus on food safety hit the nail on one of key priorities of the Chinese Government and its people. However, another of the country's highest priorities is entirely ignored and does not even rate a mention. In fact, out of all the FTAs that China has signed to date, this is the only one that does not have a dedicated section on this priority and its massive market opportunities.

The topic of course is the environment.

In every other Chinese FTA that has been signed and is being negotiated the trade in environmental products and services is specifically addressed. This is an absolute priority for China as it fights the huge environmental problems it faces with air and water quality, waste management, pollution control, water shortages and a host of other environmental issues. The demand for environmental technologies is massive, there is significant interest from investors and customers to adopt cleaner ways of operating and there is Government support at all levels for technologies that will help, regardless of where they come from.

I read the Chinese coverage of the FTA and its environmental radio-silence whilst here with a group of Australian environmental companies who are meeting seemingly endless queues of investors, customers and potential partners all wanting to work with Australia's best.

On this trip, we have had interest from the China Venture Capital Association, from provincial funds set up specifically to find and demonstrate the world's best technologies, industrialists that have flown 3 hours just to meet the companies and a 500-person investor club.

Cleantech is one of the biggest market opportunities in China and one that many Australian firms are grasping with both hands. But still it didn't rate a mention in the FTA!

Commenting on Australia's stance on the environment, the lead editorial of the heavily Government influence China Daily stated on 18 November:

"...Australian Prime Minister Tony Abbott, also the G20 president this year, .. a climate skeptic and "standing up for coal". Abbott may have his own reasons to believe in unfettered economic development...But believing that the only choice we have is between strong economic growth and a healthy environment is fallacy ab initio. This is a notion floated by fossil fuel proponents and political leaders who refuse to see the other side of the truth, the real truth.

These are very strong words and should not be ignored by those in Australia seeking to build strong economic ties with China. In a recent discussion with a senior Chinese Government official, I was told that their Government found the exclusion of the environment from the FTA as a difficult outcome to accept.

The signing of the US-China agreement on emissions at the end of the APEC summit in Beijing only highlighted the focus other nations have on this issue and how increasingly strangely Australia is behaving. If Australia was an employee, I would be taking them for a coffee and asking if there were problems at home that were causing excessive stress!

As I flew out of Beijing to meet the Australian companies, the glorious 'APEC blue' sky began to vanish as the cars and factories were allowed to operate again. The companies are all hoping to 'do a RayGen' - the Melbourne start-up solar company that signed up a \$60m deal with a major Chinese partner in April 2014.

The already huge opportunities were now even bigger as China will now start focussing seriously on emissions reduction. Two days later I read about the FTA and could not believe that one of Australia's greatest opportunities to help and work with our largest trading partner was entirely ignored.

The Abbott Government appears to have sent a very clear message to Beijing that it should look elsewhere for its trade in environmental goods. To the delight of other nations, Australia is seemingly unwilling to help solve one of Beijing's biggest headaches and increase its trade in one of the world's fastest growing sectors. This will go down as one of the largest missed opportunities of this Government.

John O'Brien is an Adjunct Lecturer on Leadership and Entrepreneurship in the Business School of the University of Adelaide. He is also the Managing Director of Australian CleanTech and Sino CleanTech, research and advisory firms that advise cleantech companies, investors and governments in Australia, China, Korea and Singapore. He is in China leading a trade delegation from the Australian Technologies Competition. www.auscleantech.com.au Twitter: @jkwob