

News Release

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ChAFTA a 'bright spot' for global trade opens new areas of opportunity for China and Australia

The 2015 free-trade agreement between China and Australia has already made a tangible impact and will result in further economic benefits for both countries as investment becomes an increasingly important part of the bi-lateral relationship, according to new research from ANZ.

The *ANZ insight* report, "Now for investment: looking beyond free trade in the China-Australia Free-Trade Agreement", found the landmark agreement will support increased demand for Australian goods in China, while lowering the cost of investment in Australia generating stronger returns for Chinese investors.

The report was completed by ITS Global for ANZ to mark the second anniversary of the signing of the China-Australia Free Trade Agreement (ChAFTA) and was launched in Shanghai today by ANZ Chief Executive Officer Shayne Elliott during a week-long visit to China by the Bank's Board.

Mr Elliott said: "Although ChAFTA is still in its infancy, we can see its impact already. This report paints a clear picture of where ChAFTA is taking the China-Australia relationship - to a deeper and more diversified economic engagement between the two countries in which trade and investment will be increasingly intertwined.

"The result is there are significant opportunities for business in China and Australia seeking to capitalise on the large and growing trade and investment flows between the two countries. In particular we are now seeing more diversification in the trade and investment relationship beyond resources and to agriculture and services," he said.

Now for Investment Report Key Findings:

- ChAFTA is one of the few "bright spots" in the global trade landscape and has potential to provide an impetus for new agreements in Asia Pacific.
- The signing of ChAFTA has promoted greater diversification in trade and investment beyond resources and into new growth areas such as agriculture, food and beverage, construction services, commercial real estate, and travel and tourism.
- There is still significant room for growth in the investment relationship, particularly as Chinese outward investment diversifies and becomes more strategic. This includes a trend toward less direct acquisition of companies and more portfolio investment.
- Chinese private firms, rather than State-owned enterprises, are becoming bigger investors in Australia.
- Chinese investors perceive Australia as a good place for business and as ChAFTA is utilised by more Australian and Chinese businesses, trade and capital flows will increase as will investment opportunities.

Mr Elliott added: "ChAFTA was a pioneering framework to guide China's economic engagement with a developed world economy. The second anniversary of its signing is a useful milestone to reflect on the deepening economic relationship between China and Australia, and to acknowledge the potential of this agreement to enhance the relationship significantly more."

A digital copy of the report and video interviews with Mark Whelan, Group Executive, Institutional and the report's author Alan Oxley, Managing Director of ITS Global, are available on ANZ's BlueNotes at www.bluenotes.anz.com.

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