



The banquet has only just begun for Queensland

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THE world leader most important to Queensland has just left the building. And it wasn't Barack Obama or Shinzo Abe. Chinese President, Xi Jinping, thanks for stopping by.

When China overtook Japan to become Australia's largest customer for goods exports five years ago, Queensland remained a bastion of the old order. At the end of 2008, Queensland's goods exports to Japan were five-and-a-half times the value of China. Those to Korea and India doubled China as well.

Now Queensland's economy is humming along with all the raucous energy of an eight-course Chinese banquet.

Since 2008, the value of goods exports to Japan, Korea and India has gone backwards to the tune of \$6.5 billion, \$1 billion and \$1.1 billion respectively. These damaging falls in demand have been entirely offset by an \$8.8 billion jump in exports to China.

Queensland's goods exports to China are now 35 per cent higher than those to Japan and account for 25.8 per cent of the state's total. China is buying much more than just our coal. In June this year there were 9228 students from China studying in Queensland universities. That's more than double the number from Japan, Korea and India combined. The state also welcomed 302,000 Chinese tourists last year.

The big story for Queensland's economy in the coming decade will be liquefied natural gas. In June, Santos CEO David Knox remarked that if Queensland was a country, it was about to become the world's fourth-largest producer. And China's in the thick of it.

In 2011, China's Sinopec agreed to buy 4.3 million tonnes per annum (mtpa) from Origin Energy's Australia Pacific LNG project in a deal worth \$90 billion over 20 years. The following year it signed on for 3.3 mtpa more. Still not content, it then kicked in 25 per cent of the project's \$24.7 billion capital cost to get things up and running. First shipments out of Gladstone are expected in 2015.



It's not only in the resources sector. In 2011 when Chinese company COFCO took a majority stake in Tully Sugar the fear was locals would lose their jobs to imported Chinese workers on \$2 a day and all the output would be shipped back to China. What actually happened was the existing workforce was kept, the mill received a \$14 million facelift and North Queensland sugar continues to be sold all over the world.

What's next is anyone's guess but beef is fast finding favour with Chinese taste buds. According to the Meat and Livestock Association, the value of Australia's beef and veal exports to China jumped 3273 per cent in the past five years.

For China, it's all about increasing the size of the pie. China can't do it alone: it needs to join forces with local companies and workers.

The Free Trade Agreement signed on Monday will create even more opportunities. The problem is that for all its enormous potential the Chinese market is an unfamiliar one and we simply aren't producing enough.

If we get this right, the banquet is only just getting started.

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