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Australians must be clear-eyed on China risks

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News that 18 Crown employees, three Australians and 15 local workers, have been detained in China for suspected involvement in "gambling crimes" has led to similar warnings to those that followed in the immediate aftermath of the 2010 jailing of Rio Tinto executive Stern Hu.

China's business environment is unpredictable. The rules aren't clear. Legal protections are weak.

There's a good deal of truth behind all of these claims. It's why the World Bank only ranks China 84th out of 176 countries for the ease of doing business.

But let's also be clear: based on what we know so far, none of these complaints appear particularly relevant in the Crown case.

There has been no sudden regulatory change in China: gambling on the mainland has long been banned, with the exception of state-run lotteries.

It is illegal to market foreign gambling venues to Chinese citizens.

That China was launching a crackdown on foreign casinos trying to entice its citizens was announced with all the secrecy of a Beijing press conference by the Ministry of Public Security in February 2015.

In June last year employees of South Korean casino operators were arrested for allegedly committing the same breach.

The case involving Crown also has to be seen in the context of a massive anti-corruption effort that has been under way in China since 2012.

Few sectors of China's economy or society have been left untouched. Last year alone, 300,000 government officials were punished for corrupt activities.

Those caught up in President Xi Jinping's signature initiative have included senior military figures and CEOs of enormous state-owned enterprises.

That some employees of foreign companies in China might also fall victim shouldn't come as a surprise.

Research published by academics at the University of California last month concluded that contrary to the cynical view that the anti-corruption drive is all about purging potential Xi rivals, the evidence suggests that it is in fact a genuine attempt to root out systemic corruption problems.

There are no signs that the anti-corruption drive is letting up, not least of all because it enjoys enormous public support.

Earlier this month a Pew poll found that the Chinese population regarded corrupt officials as the biggest problem facing the country today. This concern rated even higher than the yawning gap between rich and poor, an appalling lack of food safety and lung-clogging air pollution.

All of this means that Australian companies operating in China can expect to see more active enforcement of existing laws and regulations in the future.

China's short history with a modern legal system also means that new laws and regulations will continue to flow thick and fast.

Sometimes these may discriminate against foreign businesses and Canberra needs to join with Washington and Brussels in calling out these changes when they do.

But this discrimination can also be more imagined than real.

Earlier this year some commentators claimed that China was changing the rules around e-commerce to make it harder for Australian suppliers of infant formula, vitamins and cosmetics.

In fact, the changes were aimed at closing import tax loopholes and providing better regulation for online trade.

In the Stern Hu case, earlier this year Sam Walsh, the former Rio Tinto CEO, told *The Australian* that while Hu was "a good friend" and the episode was one of the most difficult of his life, the evidence that Hu took bribes was irrefutable.

For the most part, Australian companies are clear-eyed about the challenges they face in China.

In the 2016 Australian International Business Survey (AIBS), 84 per cent of companies said that understanding market compliance and risk was of high importance in their China strategy.

But it's equally important that the risks don't get exaggerated.

The World Bank says that Brazil, India, Indonesia and the Philippines are all more difficult places to do business than China.

Nor do the risks negate the opportunities.

Earlier this month the IMF confirmed its expectation that China would account for an extraordinary 37 per cent of world growth this year and 33 per cent in 2017.

Australia has an overwhelming economic interest in China emerging as a predominantly middle class country by 2030.

Crown and James Packer understand this better than anyone, positioning the company as a tourism and leisure provider, not merely a casino operator.

With visitors from China expected to account for 60 per cent of the growth in total inbound tourism expenditure between now and 2025, expect to see Crown double down on its China engagement strategy rather than orchestrate a knee-jerk and ill-conceived retreat.