

# AUSTRALIA-CHINA AGENDA 2013



JANUARY 一月

FEBRUARY 二月

MARCH 三月

APRIL 四月

MAY 五月

JUNE 六月

JULY 七月

AUGUST 八月

SEPTEMBER 九月

OCTOBER 十月

NOVEMBER 十一月

DECEMBER 十二月

二〇一四年

## Approaching the Bilateral Relationship with China

Geoff Raby

Dr Geoff Raby is Chairman and CEO of Geoff Raby & Associates, a Beijing-based business advisory firm, as well as holding a number of corporate board positions and Directorships. Dr Raby was also recently appointed as a Vice Chancellor's Professorial Fellow at Monash University, and he is a member of a number of advisory boards and councils.

Dr Raby was the Australian Ambassador to China from February 2007 to August 2011 and Deputy Secretary of the Department of Foreign Affairs and Trade (DFAT) from November 2002 to November 2006.

*THE AUSTRALIAN Centre on China in the World engages with the public and policy discussion of relations with the People's Republic of China and the Chinese world. Australia-China Agenda 2013 is our contribution to this important election year and the on-going consideration of the bilateral relationship.*

*This is a relationship that touches on virtually every aspect of our national life. A mature and beneficial engagement of such breadth and depth requires the leadership and support of government at all levels, as well as public stewardship, media understanding, educational enhancement and the strategic involvement of the business community.*

*Australia-China exchanges are also profoundly influenced by regional and bilateral relationships. Australia and China trade in goods as well as culture, politics and people, ideas and education, community and personalities.*

*Australia-China Agenda: 2013 brings to the attention of the public and the media, politicians and specialists some reflections and policy ideas authored by specialists with a professional interest and involvement in the relationship.*

—Geremie R. Barmé  
Founding Director, CIW

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OVER THE almost seven years since I went to Beijing as Australia's Ambassador to China, the Chinese economy has doubled in absolute size, it has become the world's number one trading nation and the second biggest economy on earth.

During that period, it became Australia's largest export market for goods, the biggest source of fee-paying foreign students and the second biggest source of foreign tourists by head count and the biggest by how much they spend. While China's stock of foreign investment in Australia is still small relative to traditional sources of investment from the US and Europe, in recent years it has been among the fastest growing sources of investment. To underscore the magnitude and depth of Australia's economic integration

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with China consider this: China accounts for by far the biggest share of Australia's exports than the next four major markets combined, excluding Japan. They are South Korea, India, the US and New Zealand.

The extent of Australia's interdependence with China is unprecedented in Australia's economic history except for that with Britain before Britain joined the European Community in the 1970s. In the case of that earlier relationship, it was based on close historical ties and agricultural products.

Our relationship with China today is based primarily on our trade so, in the words of Australia's first Ambassador to China, we tend to view it primarily in transactional terms. With such a huge preponderance of trade and commercial interests involved it is great challenge to Australian governments, policy makers and the broader community to move beyond the transactional – but we must.

My submission to the Henry White Paper on Australia in the Asian Century contained a self-evident proposition about the Australia-China relationship which was intended to frame thinking about the relationship and how to manage it. It was: unarguably China is the most important country in the world for Australia's economic interests and our future prosperity will depend more on China than any other country. Moreover – and somewhat more controversially – no country will ever again replace China as the most important economic relationship for Australia, provided that China does not implode.

Finally, and this was the key consideration, and the biggest challenge to our narrowly transactional approach to China, China is the most difficult significant country of interest to Australia with which we have to deal. This is because China's political system, hu-

man rights' standards, history, culture and values are so far removed from our own. No country with a major global economy has in modern history stood so far apart from the international norms of political and social organisation as China today. This is unlikely to change anytime soon.

So it was with these thoughts in mind that my principal recommendation to the Henry White Paper was that we need to devote substantially more political and diplomatic resources, as well as effort by the Australian community writ large, to the China relationship than we do to any other major relationship that we have.

In that context, I made five modest proposals where more could be done but not with the view that this list was exclusive, some of which are elaborated in further detail below:

1. Recognise the singular importance of China to Australia's economic and security interests;
2. Establish an annual high-level strategic and economic dialogue;
3. Substantially increase Australia's diplomatic presence in China;
4. Substantially increase the commitment to cultural diplomacy in China; and,
5. Reinstate a bilateral aid program for China's poorest regions.

## A Strategic and Economic Dialogue

When Prime Minister Gillard visited China in April of this year, the first and second proposals were addressed. Following talks with her Chinese counterpart Li Keqiang on 10 April, the Prime Minister announced that an agreement had been reached to establish an annual high-level strategic dialogue between our two nations. Although details are still scarce, we have been told that it will also include, in addition to head of government meetings, talks involving the Treasurer and the Foreign and Trade ministers with their Chinese counterparts.

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## Increase Australia’s Diplomatic Presence in China

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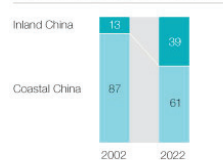
Even before the release of the White Paper, the Australian Government announced that it would finally act on the third proposal: increasing Australia’s diplomatic presence in China. In March 2012, Prime Minister Gillard announced that the government intended to open a consulate-general in Chengdu, Sichuan province. This consulate will be responsible for Sichuan as well as Chongqing, Yunnan and Guizhou provinces. For some reason, it has taken well over a year since the initial announcement to open. In the meantime, New Zealand with substantially fewer resources than Australia for diplomacy has announced the imminent opening of their Chengdu consulate.

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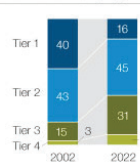
Although welcome, the decision to open a consulate in Chengdu was tardy. By the time the announcement was made, some fourteen countries had long-established diplomatic presences in Chengdu. Australia gave up early mover advantages by lacking a clear vision at the political level, not only of the importance on increasing our diplomatic footprint in China, especially at a time many others were doing so, but of how economic growth and development in China was rapidly spreading away from the centres of our traditional attention in China on the eastern sea board.

China is a country containing thirty-four provincial-level administrative zones, fifty-six different ethnicities and even more native dialects. China is not a country which can be understood simply by viewing it from Beijing, Shanghai and Guangzhou. Economic development is moving away from the first-tier cities along the coast towards the inland second- and third-tier cities. At the same time, the focus of the Chinese economy is shifting from heavy investment towards consumption to account for the rising middle class. A map illustrating China’s shifting middle class is attached on the right:

Share of middle class,<sup>1</sup> by geography, %



Share of middle class,<sup>1</sup> by type of city,<sup>2</sup> %



<sup>1</sup>Based on information for 266 cities; data for 2022 are projected. Cities in China are grouped into 4 tiers based on their economic development and political importance. For Tier-1 cities, 2010 nominal urban GDP is >932 billion renminbi; for Tier-2 cities, 120 billion-932 billion renminbi; for Tier-3 cities, 22 billion-120 billion renminbi; for Tier-4 cities, <22 billion renminbi.  
<sup>2</sup>Figures may not sum to 100%, because of rounding.

Source: McKinsey & Company Quarterly



Of course, the government could expand further in this regard. Consulates should also be established in Shenyang, in Liaoning province, and Qingdao, in Shandong province, as well as Kunming, Yunnan province, and Wuhan, Hubei province. Understandably, budget pressures will mean that not all of these can be opened and staffed in the near term but it would be valuable as a sign of the government's vision for the relationship and where it might go in future if it would set out a forward plan for this, to be implemented as budgetary circumstances permit.

### Increase Cultural Diplomacy in China

The other side of the diplomatic coin, one which cannot be underestimated, is the importance of cultural diplomacy. Chinese people place great emphasis on culture and cultural activities, something which the Chinese take great pride in considering their long and rich history. Supporting such activities allows the government to bring together young leaders, entrepreneurs, officials and the wider public to become involved in the bilateral relationship beyond simple business and diplomatic exchanges. These exchanges would not only create a deeper friendship between our two nations (which could obviously lead to economic benefits, although it is not the point) but can also help to show that Australia is serious about negotiating with China as a serious actor on the world stage. Further understanding each other's cultures and practices will help foster a new relationship of friendship between our two nations instead of today's apparent atmosphere of distrust and uncertainty. This can only be beneficial for our bilateral relations over the long term.

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In recent years, cultural activity and engagement has increased considerably. An annual Australian Writer's Week has been instituted and a joint film co-production agreement signed and several films made under it. In 2010, the Year of Australian Culture in China was highly successful, although neither the Australian Prime Minister nor an Australian minister with responsibility for the arts deemed it important enough to visit China during that year. By contrast the Chinese Minister for Culture was an active supporter, attending a number of opening events. In the Chinese reciprocal year of culture in Australia, the Chinese minister visited to inaugurate their program.

Australian government support also has been limited both by general budget constraints but also by an unwillingness to accord China the focus and attention that our national interests require. Allocation of funds by DFAT to the various bilateral cultural councils

still accords them equal status – so funds to a relatively small country of relatively minor importance to Australia are the same as the funds allocated to China. It is a quirk of the bureaucracy that unwillingness to set priorities is the preferred course of action as no one is upset by this.

Much of the development of our cultural relations with China, however, is carried out by numerous, mainly unknown and unsung individuals in both countries.

For many years Australia had a Chair of Australian Studies in a number of countries of various importance to our national interests and many of more historical than current interest, but not in China. In 2010, following approaches from the Beijing Embassy, DFAT agreed to fund a Chair of Australian Studies at Peking University. The inaugural chair took up his position this year and the Australia-China Council has established a trust to manage this and attract funding for other cultural activities. This is an innovative way to garner resources for promoting cultural relations and supplementing the meager official contributions.

Much of the development of our cultural relations with China, however, is carried out by numerous, mainly unknown and unsung individuals in both countries. Artists across the entire spectrum of disciplines raise funds or use their own savings to engage with their peers and expand their understandings of each other and their artistic horizons. Academics and students do the same and contribute enormously to the relationship as a whole, not only through their academic and scholastic endeavors but also through their networks for professional contacts and friendships.

## Conclusion

If, however, we are to broaden our relationship with China beyond the merely transactional, official understanding and policy needs also to change. We need first to recognise that our national interest is best served by doing this and second that China is more complex and hence challenging for us than any other major relationship. We also need to recognize the value that China places on deep and enduring relationships. This requires on our behalf persistence and consistency in messages and actions. Enough Australians seem to understand this, at least intuitively, already. It is something our political leaders, however, seem not have appreciated for a very long time.

### AUSTRALIAN CENTRE ON CHINA IN THE WORLD

The Australian Centre on China in the World (CIW), College of Asia & the Pacific (CAP), The Australian National University (ANU) is an initiative of the Commonwealth Government of Australia in collaboration with ANU, a university with the most significant concentration of dedicated Chinese Studies expertise and the publisher of the leading Chinese Studies journals in Australia. CIW is a national research centre that is jointly managed by a body of academics that includes scholars of China at universities in Adelaide, Brisbane, Hobart, Melbourne and Sydney.

The Centre is a humanities-led research institution that is engaged with the broad range of social sciences to produce academic work that, while relevant to the full spectrum of demands of international scholarship, also relates meaningfully to those in the public policy community, and to the broader interested public, both in Australia and overseas. It values a New Sinology, that is an intellectual, cultural and personal involvement with the Chinese world (be it in the People's Republic, Hong Kong, Macau, Taiwan or globally) that is underpinned by traditions of academic independence, local fluency and disciplinary relevance.

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#### CIW sites

<http://ciw.anu.edu.au>  
<http://www.thechinastory.org>

#### CIW publications (also available online)

*China Story Yearbook 2013: Civilising China*, October 2013

*China Story Yearbook 2012: Red Rising, Red Eclipse*, August 2012

Stephen FitzGerald, *Australia and China at Forty—Stretch of the Imagination*, 澳大利亚与中国已届四十年—舒展的想象力, February 2013

*Australia and China: A Joint Report on the Bilateral Relationship* 中国和澳大亚：关于双边关系的联合报告, with the China Institutes of Contemporary International Relations (CICIR), February 2012

#### CIW journals

*China Heritage Quarterly*  
(<http://www.chinaheritagequarterly.org>)

*East Asian History*  
(<http://www.eastasianhistory.org>)

*The China Journal*, co-published  
(<http://ips.cap.anu.edu.au/chinajournal/>)

*Danwei*, affiliated  
(<http://www.danwei.com>)