China-Australia Economic Co-operation: Towards a shared transformation

CICIR China-Australia Relations Project Group

The China Institutes of Contemporary International Relations (CICIR) is the premier Chinese foreign policy think tank and reports directly to the State Council and to major Communist Party bodies.

CICIR’s China-Australia Relations Project Group was established in 2013. It is an initiative aimed at advancing CICIR’s research work on Australian and to contribute to China-Australia relations in an unfolding environment. The group consists of: Yang Mingjie, Vice-President, CICIR; Zhai Kun, Director of the Institute of World Political Studies; Zhang Xuegang, Deputy Director of the Institute of South and South-east Asian and Oceanian Studies; Dr Guo Chunmei, Assistant Research Fellow of the Institute of South and South-east Asian and Oceanian Studies; and, Tian Jingling, Assistant Research Fellow of the Institute of South and South-east Asian and Oceanian Studies.

The 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
FOLLOWING THE Global Financial Crisis, global economic recovery faces unprecedented challenges. And while the Asia-Pacific region will be the most crucial region for development in the twenty-first century, it also faces the arduous task of undertaking a process of economic transformation. Within the weak process of economic recovery, pressure on the Asia-Pacific region to rebalance its economic fundamentals has grown sharply, while it has become more difficult to coordinate with other global economies. Existing mechanisms for regional economic cooperation and dialogue are facing challenges, and while attempts to build all kinds of new mechanisms are in full swing, there is a growing gap between differing ideas on how to do so, leaving the process of regional economic integration at risk of breaking down. While Australia and China as individual economies are undergoing their own challenges of restructuring, we should ask whether the two countries could evolve a new form of relationship, one in which each economy still maintains its own distinct characteristics. This new form of relationship would not only affect the future of both our countries, but could create an important model for the region or even the world.

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China is the world’s second-largest economy. As it faces the reality of an increasingly difficult external trade environment, China has begun a process of rebalancing – moving from an export and investment-led economy to a domestic demand, consumption and services-led model of economic growth by focusing yet more on improving its industry structure and the quality of its economic growth. There are no precedents for this model of economic transformation, and it is inevitably experiencing some growing pains, the most recent manifestation of which has been the easing of economic growth leading to a series of social problems.

Australia is a major commodities exporter, and it has fully reaped the benefits of its ‘dividend’ from the last twenty years of global economic development, particularly in Asia and the Pacific. Post-Global Financial Crisis, Australia also faces unprecedented challenges due to its high degree of economic connectivity with the outside world. It will be difficult to continue with Australia’s commodities-led economic growth model in the face of a fragile world market and a sharp fall in
global commodity prices. Australia’s manufacturing and services industries also face many bottlenecks. So Australia confronts a difficult question: How to restructure its economy to a more sustainable development model, one featuring a ‘diversified economy’.

China is Australia’s biggest trade partner, its biggest export destination, and the greatest source of Australia’s imports. If its economic growth softens or it restructures its economy, there will be a direct impact on Australia. This will manifest itself in a slump in both the quantity and price of iron ore and coal exports, and it is hard to be optimistic about the impact of this on Australia’s economy and jobs. Given the importance of resources trade to bilateral relations, some people believe that the end of the resources boom will mean the end of the ‘honeymoon’ in Australia-China relations. But, in fact, globalisation has gone so far, and the two economies are so closely tied together and have such different economic systems, that their relationship will not ‘disconnect’ from declining trade – rather, they face an opportunity to further develop their relationship through a process of economic restructuring.

**We have a solid base for cooperation:** The past decades have seen us utilise the trade in resources to build closer economic engagement and pursue mutual prosperity. This process has allowed two countries at different stages of development, with different histories and cultures, to build up a rich story of cooperation and build a solid foundation of national popular support to continue this collaboration into the future.

**We are heading in the same strategic direction:** Australia’s population base of some twenty-odd million people limits its economic potential. It will have to ‘keep looking outwards’ in order to develop a more diversified and sustainable economy. Australia sees the ‘Asian Century’ as a great development opportunity, and for many years it has stressed the need to become ‘a part of Asia’. Cooperation with China, which has undoubtedly earned its title of Asia’s number one economy, will undoubtedly be one of Australia’s most important strategies.

Although China’s external economic relations are already global in nature, the process of economic transformation emphasises even further the need to be based in Asia, giving it an even stronger rea-
As China improves the quality of its economic growth through encouraging the growth of its services sector, it will provide Australia’s well-developed services sectors a rare development opportunity. 

There are many points of agreement over restructuring: While China’s economic growth is easing, it is still leading the world, and the direction of its economic restructuring has a great deal in common with Australia’s strategy of broadening its economic development. Such as: China is restructuring (and shrinking) its heavy industries, but the process of industrialisation and urbanisation will continue for a long time, and this will ensure a steady rate of demand for Australian energy and natural resource supplies. As China moves to a more domestic demand-led economy, its middle class will continue to expand, leading to far bigger markets for Australia’s agricultural, education, tourism and high-end manufacturing sectors. As China improves the quality of its economic growth through encouraging the growth of its services sector, it will provide Australia’s well-developed services sectors (such as banking, insurance, urban planning and technology transfer) a rare development opportunity. China’s comprehensive economic opening up, in combination with Australian government’s greater attention to developing infrastructure, improving agriculture and revitalising manufacturing, will make mutual investment easier and broader.

There are new economic frontiers: There has been a general but inevitable trend towards greater integration of international commodity and financial markets, and this trend is in our common interest. But the current fixed-price systems for iron ore and some other commodities are still far from mature, and there are large vulnerabilities. In the area of natural resources, Australia and China should jointly shape natural resource pricing regimes in the region. There is also great potential for jointly setting up futures markets for iron ore and other resources.

Furthermore, in recent years Asia and the Pacific have continued to open up, and regional trade has grown rapidly, becoming a new source of growth for Australia-China development. So now how about we go past simple economic cooperation and explore, along with other countries in the region, a new frontier of regional trade? We should base this new frontier on facts, make sure it is forward-looking, and ensure that it has a focus on institutionalising regional trade cooperation.
Of course, we shouldn’t just take this mutual transformation and development model for granted. In the current, complicated international situation (where we are only in the initial phases of economic transformation) it is unavoidable that both countries confront a range of difficult problems or potential threats – be this separately or together. We need all sectors of our two societies to negotiate these problems or threats as quickly as possible and move on to exploring positively mutual options and putting forward constructive suggestions.

The bilateral Free Trade Agreement (FTA): FTA talks have now been in process for eight years, and they’ve become a topic that the two countries can’t avoid as they try to update and advance economic relations. The present economic situation (both domestically and globally) requires serious consideration, and both countries maintaining public faith in trade liberalisation is more important than ever. With this in mind, both countries need to be grounded in realities, to reevaluate and readjust their respective expectations and to nimbly, pragmatically and quickly push on with FTA talks.

The same holds for trade diversification strategies: apart from paying close attention to policy decisions, both countries need to make an effort to reinforce cooperation on joint market studies in order to find suitable models for each country’s respective trading goods. We especially need to find new ways for our businesses to fulfill their joint potential, to strengthen exchange and cooperation on environmental matters, finance, communications, health services and other sectors. Both countries also need to make a special effort to find a balanced system for fixing the price of natural resources in order to continue our sustainable cooperation on natural resources.

On bilateral investment: investment is a particularly prominent and sensitive area for both countries, but it is an area with enormous potential future growth. Both sides should maintain relative independence and stability while paying close attention to economic cooperation to ensure that cooperation doesn’t suffer any undue disruptions due to changes in the political environment. We should take seriously our social ties, and take measures to strengthen links between our societies to ensure that public opinion related to our friendship remains fair and impartial. Within the process of boosting investment, we must follow market rules, and improve the understanding of the laws and regulations and society of the host country, while steadily increasing the rate of investment in each of our countries.
As important regional actors, both China and Australia should adjust to the circumstances they face, and take on the responsibility to make a greater contribution to the development of the region we live in. Apart from this, as important regional actors, both China and Australia should adjust to the circumstances they face, and take on the responsibility to make a greater contribution to the development of the region we live in. For instance: China and Australia should use their proximity to South-east Asia (China in the north and Australia in the south) in order to encourage South-east Asian countries to join with and increase exchange with the Indo-Pacific region so as to open up common markets throughout all of South-east Asia. We must keep open minds and, among other things, contribute positively to the building of greater economic integration in the region through strengthening institutional links and exchanges.
后金融危机时代,全球经济复苏面临前所未有的挑战。作为21世纪发展核心的亚太,也被迫开启艰难的经济转型进程。在脆弱的复苏进程中,该地区主要经济体内部调整压力陡升,对外协调难度加大;原有地区经济合作与对话机制遭遇挑战,各类新机制的构建都在紧锣密鼓进行中,但相关理念分歧不断扩大,区域一体化有破碎的危险。中国和澳大利亚无论是自身经济还是双边关系都在经受转型的考验,能否基于各自特色,寻求共同转型,不仅事关两国未来,也将对地区乃至全球发展产生重要的示范效应。

中国作为全球第二大经济体,面对外部贸易环境日益严峻的现实,开始逐步由出口与投资拉动向扩大内需、消费与服务并行驱动的经济增长模式转变,更加关注产业结构升级以及经济增长质量的完善。其经济转型的规模、内容都前无古人,也必然经历转型的阵痛,当下最直接的表现即经济增速放缓及由此引发的系列社会问题。

澳大利亚作为资源输出大国,尽享过去二十年全球尤其是亚太地区经济发展的“红利”。后危机时代,澳也因与外部经济的高度关联性正面临着前所未有的挑战。面对国际市场萎缩、大宗商品价格急跌的国际形势,澳过度依靠资源能源驱动的经济增长模式已难以为继,而制造业、服务业发展仍面临诸多瓶颈。如何尽快实现可持续发展的“多元经济”成为澳经济转型难题。

中国是澳大利亚第一大贸易伙伴、第一大出口目的地和第一大进口来源国,其经济增速放缓、产业结构调整对澳影响最为直接,突出表现为澳铁矿石、煤炭等出口量价齐跌,经济与就业形势不容乐观。鉴于资源贸易对两国关系的重要性,甚至有人将澳“资源暴利时代行将终结”等同于“中澳关系的蜜月期行将终结”。然而现实是,全球化发展至今,中澳这两个
联系紧密、又具较大差异性的经济体不但不会因资源“脱钩”，反而在转型进程中面临更大发展机遇。

合作基础坚实。几十年来以资源贸易为依托中澳两国密切互动、共享繁荣，这一过程不仅让这两个不同发展阶段、不同历史文化的国家积累了丰富的合作经验，也为两国未来继续共谋发展奠定了坚实的民意基础。

战略方向一致。澳2000多万人口的现实决定其内向经济潜能有限，经济要实现多元化、可持续发展必须“向外看”。澳视“亚洲世纪”为巨大发展机遇，多年来一直强调“融入亚洲”。与亚洲当之无愧的第一大经济体——中国的合作无疑是其最重要的内容之一。中国对外经济虽具全球性，但转型进程中更强调亚洲为立足之本，同澳大利亚这一地缘接近同时又是中等发达国家的合作愿望不降反升。

结构调整契合点多。中国经济增速虽有放缓，但依旧全球领先，其结构调整的方向更与澳经济多元化发展战略有诸多契合。如：中国重工业收缩为调整方向，但工业化、城镇化的进程仍将持续很长时间，对澳资源能源需求仍将保持一定规模；中国经济增长逐步转向内需驱动，中产阶层不断扩大，将为澳农产品、教育、旅游、高端制造业等提供更广阔市场；中国完善经济增长质量，鼓励发展第三产业，将为澳金融保险、城市规划、技术出口等优势服务业提供难得的发展机遇；中国全面提高开放型经济水平与澳政府更加重视发展基础设施、发挥农业优势、振兴制造业等将共同为两国相互投资提供更多便利、更广阔空间。

存在共同开发新领域。国际市场上大宗商品与金融结合为大势所趋，也符合供需双方的共同利益。但当前铁矿石等资源定价方式远未成熟，脆弱性凸显。中澳在共同塑造资源能源的地区定价权、共建铁矿石期货市场等方面大有可为。此外，近年来亚太地区保持对外开放性同时，区域内贸易也在迅速攀升，成为中澳发展的新增长点。如何超越简单经济合作，建立基于现实、面向未来、朝向机制化的地区经贸合作新领域，需中澳及地区其他国家共同探索。
当然，我们并不能把中澳两国共同转型与发展视为理所当然。在当前复杂国内国际形势下，在经济转型的初始阶段，两国不可避免地分别或共同面临着一些难题或潜在威胁，需要两国各界围绕此尽早展开积极而深入地探讨，并提出建设性意见。

双边FTA：中澳FTA谈判已达8年之久，成为两国经济关系升级与优化中难以逾越的议题。在当前国内外经济形势堪忧情况下，两国力促贸易自由化的信心尤显珍贵。鉴此，两国需立足现实，重新评估并调整各自期待，灵活务实并加快推进FTA谈判。

贸易多元化：除关注政策研究外，两国更应着力加强对市场的联合调研，以更合理的方式提供各自所需产品。尤其要大力挖掘新兴产业合作潜力，加强环保、金融、通讯、医疗等方面的交流与合作。两国还应努力共建更加合理均衡的资源定价体制，确保资源合作可持续发展。

双向投资：投资为两国当前敏感性比较突出的领域，但发展潜力巨大。双方应：注意保持经济合作的相对独立性、稳定性，确保合作大势不因政治环境变化而大起大落；重视社会基础，充分发动社会力量，为两国更好的经济合作提供客观公正友好的舆论环境；投资过程中，应遵循市场规律，深入了解对象国法律法规社会，稳步推进相互投资。

此外，作为地区重要成员，中澳还应顺应形势，为地区发展承担相应的责任，做出应有的贡献。如：中澳可利用位于东南亚一南一北的区位优势，尝试将东南亚融入印度洋-太平洋地区这一更大的互联互通中，加大对东南亚市场的共同开发；保持开放心态，积极参与地区经济一体化建设，加强机制中的沟通与协调等。
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.

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 中国和澳大利亚：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)
Danwei, affiliated (http://www.danwei.com)