

AUSTRALIA-CHINA AGENDA 2013

'Australia Dreaming': Visions of a new China relationship

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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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AUSTRALIAN CENTRE ON
CHINA IN THE WORLD



Australian
National
University

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Canberra, Australia

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

FOR THE past two decades, Australia has suffered from one of its perennial bouts of national complacency. We have confined ourselves to keeping in step with global events, rather than aspiring to become a world leader. In this, the summer of our economic prosperity and regional stability, we have not summoned the courage to think seriously about our national future. Instead, we wallow in puerile politicking that panders to an uninformed lowest common denominator, we acquiesce to a myopic resource-dominated business philosophy, and we fail to grasp the worth of China literacy in the Asian Century. This view of Australia is not conceited contrarianism, but rather recognition of the exceptional opportunity presented by the historically fortuitous circumstances Australia currently enjoys. Australia and Australians must be more ambitious. To not do so now would be a slight on future generations.

The 2012 *Australia in the Asian Century* White Paper was a tentative step in the right direction, but it lacks serious political weight and is, in many ways, a repackaging of the transactional 'what's-in-it-for-us' attitude that has characterised our approach to the bilateral relationship with the People's Republic of China over the last twenty years. Australia needs to realise that our relationship with China will be of such singular importance that to content ourselves passively with China as a voracious but distant consumer would not only be remiss economically, but would reinforce the

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close-minded cultural conceptions that hold Australia back: monolingualism, parochialism and Occidentalism. To avoid repeating Australia's China/Asia 'discovery-rhetoric-apathy' cycle, the Australian polity needs to lead rather than be led, setting forth a bold political vision and coherent national narrative of Australia as a self-assured, China-(Asia)-literate, and socio-economically advanced nation fully integrated in the Asia-Pacific. Australia's China strategy will be integral to the future direction of Australian nation-building.

Nation Building

The current Australia-China relationship is primarily economic. China is Australia's largest two-way trading partner, accounting for 30% of exports and 18% of imports. It is a trade relationship valued at A\$128 billion, and one that contributes \$13,800 per annum to Australian households. However, the importance of China to our trade relationship is not reflected in Chinese

foreign-direct investment (FDI). Even though Australia is China's top FDI destination, China ranks only ninth (behind Canada) with 3% of Australian FDI stock, and only one-third of its Foreign Investment Review Board (FIRB) approved investments have eventuated. Additionally, both trade and investment have been disproportionately concentrated in resources: 52% of Australian exports to China are iron-ore concentrates, 90% of Chinese FDI is in mining and energy, and China owns less than 1% of Australian agricultural land.

This relationship reflects natural complementarities, but recurring issues prevent its diversification and expansion, including: sensationalised Australian media and popular discourse giving the impression Australia does not welcome Chinese business, regulatory barriers such as automatic-triggering of FIRB oversight by Chinese State-Owned Enterprises (SOEs), and Chinese inexperience in identifying and managing commercial projects in the Australian market.

As a large economy with a small population, Australia depends on foreign trade and investment for its national prosperity and it cannot continue to forgo the nation-building opportunity of Chinese FDI. The government should conclude our overdue China Free Trade Agreement (FTA) by agreeing to raise the FIRB automatic referral threshold for Chinese SOEs (given that Australian law will apply to their operations), increase the notification threshold for Chinese private FDI to A\$1 billion (on par with the thresholds for US and New Zealand investors), and ease Australia-China business travel restrictions. The FTA would exempt Australian exporters from barriers to the Chinese market. It would also encourage much-needed economic diversification in an increasingly complex and middle-class Chinese economy, moving it towards high-value-added goods and high-skilled professional and technical services – and ensuring the Australian economy is prosperous beyond primary exports.

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Positive attitudes towards a China FTA and towards China's vast potential stocks of FDI will be essential to implementing economic reforms crucial to reviving Australia's lagging productivity performance and transformation into a regional leader in industry, technology, and environment. For while Australia's resource-powered growth may presently be the envy of the world, the downward structural readjustment of Chinese

economic growth means Australia must be proactive in employing Australia-China joint-ventures, and Chinese capital and skilled labour, for comprehensive and long-term future national infrastructure projects.

Such projects should include: value-adding refinery facilities for steel, oil, gas, and fuel-rods; modernised energy storage and power grid facilities to realise our vast reserves of solar, wind, and (thorium-based) nuclear power; and, water infrastructure and logistical networks to realise Australia's potential as China's 'food-bowl' and to capitalise on access to booming Chinese markets for safe beef, dairy, and wine. This should extend to developing an advanced technology sector that encourages innovation in strategic industries such as ICT and lifestyle-disease and ageing-population-relevant medical engineering, as well as strengthening financial infrastructure by expanding direct-Renminbi-conversion licensing beyond Westpac and ANZ to develop Australia into a significant RMB trading centre.

However, despite a China FTA being more economically rational than the strategically motivated Australia-US FTA, concluding this trade deal will require leadership from the government; according to the 2013 Lowy Poll 57% of Australians believe Chinese FDI is too high and 41% believe China will become a military threat. Australian journalists, academics, politicians, and citizens form a collective space that, due to a general lack

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of China-literacy and to a propensity to resort to battology as a stopgap for lack of understanding, manifest a desire for the pitching, holding, and debating of 'China issue' positions, for over-polemicalising a complex phenomenon, and for obfuscating the development of a full portrayal and nuanced analysis of Australia-China reality. The government must raise popular awareness of the benefits from a productive relationship with China and promote investment advancing the wider Australian community. The Chinese state is far too preoccupied with domestic stability and ensuring Chinese economic development to undermine a key regional partner such as Australia, and having a strong national economy that China relies heavily on for its energy is a significant diplomatic asset for Australia.

Diplomacy

The Australia-China diplomatic architecture was recently upgraded to a 'strategic partnership'. Australia needs to ditch the facile China versus US 'leading light for Australia' debate as the framework for discussion of our national future – 87% of Australians surveyed by the Lowy Institute believe we can have a positive relationship with both – so why not sensibly but boldly steer our own course forward?

The Department of Foreign Affairs and Trade (DFAT)'s top priority must be to use the inaugural bilateral Strategic & Economic Dialogues with China to assert Australia's international decision-making independence, project positive bilateral messages to domestic audiences, and forge the intergovernmental relationships and 'pick-up-the-phone' mentality that would have ameliorated diplomatic crises such as the Stern Hu and Rebiya Kadeer incidents. The importance of personal relationships to accomplishment in China (amidst fierce international competition for Chinese leaders' time) means that Australian bureaucratic, corporate, and academic leaders must spend time building rapport with Chinese counterparts. Politically, this will necessitate the reversal of DFAT funding cuts to establish consulates in oft-overlooked regional metropolises like Shenyang, Wuhan, and Qingdao, and the resumption of AusAID's presence – important for provincial engagement and bureaucratic connections.

Australia must also cultivate soft power projection to revitalise perceptions of Australia as simply a mine-top farm and American cultural colony. DFAT, relevant education ministries, and the Australia-China Council should promote unique Australian culture through programs such as Imagine Australia and Australian Writers Week, and support the Foundation for Australian Studies in China in creating a robust community of Australia-engaged Chinese academics, researchers, and policymakers. Tourism Australia should improve the image of Australia with Chinese tourists, 670,000 of whom spent A\$4.5 billion in Australia last year, by adjusting Euro-American sun-surf-sand/wild-flora-and-fauna advertising to showing the comfortable urban shopping experiences most Chinese tourists desire, by relaxing visa processes, and by formulating a China strategy with hospitality businesses regarding Chinese staff, signage, menus, and group travel.

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Official engagement with China means the government cannot ignore bilateral tensions with core Australian values, particularly human rights and rule of law. Recent concerns about the rights of Australians in the Chinese legal system and the political connections of state-backed Chinese businesses have unsettled many Australians. Arguably more significantly, frequent conflation of the Chinese nation as a whole with specific state-sponsored acts of repression within the media and popular discourse feeds into a historical wellspring of moral superiority and outright xenophobia, holding back bilateral relations. If we want to promote Australian values and encourage China to conduct rule-based global affairs, we should strongly encourage Australia-China engagement at the people-to-people as well as the institution-to-institution level. For instance, the Australia-China Human Rights Dialogue (ACHRD) is largely ineffectual (though nevertheless deserving of our continued attention because of the principles it represents), but it would be more fruitful to also share our values through daily-life interactions between Australians and Chinese. Additionally, Australia should evince its sincerity by addressing the issues China raises at the ACHRD, such as mandatory detention and Indigenous discrimination.

Education and Society

The most nation-defining goal of the *Asian Century* White Paper was its recommendation that Australian schoolchildren be offered continuous education in one of four priority Asian languages, including Chinese. Whilst Australia should not neglect other Asian languages, we must recognise the singular role Chinese will play in Australia's future. Many commentators dismissed this ambition as unrealisable, which without political funding commitments is true. But the limits of our language are the limits of our thinking, and cultural competence is incomplete without language. As such, language acquisition must be a national priority. Language learning takes time and the earlier we start, the better. The proportion of schools teaching Kindergarten to Year 12 Chinese (or subjects in Chinese) must be increased from 5% to 50% within 20 years, supported by interest generated through the 'Asia and Australia's Engagement with Asia' national curriculum priority, an about-turn in federal education funding, Chinese teaching visas, university admissions bonuses, China scholarships, and student initiatives promoting China-awareness. In addition to primary and secondary education, the government must support Australian university students and young professionals studying and interning in China through programs such as the Labor Party's AsiaBound scheme and the Coalition's proposed New Colombo Plan.

But presence alone does not guarantee engagement, and should not be confused with it. Currently, few Australians in China go beyond cultural-linguistic comfort zones to participate genuinely in and understand Chinese society. The government must sup-

port grassroots organisations providing people-to-people platforms, such as Australia-China Chambers of Commerce, the Australia-China Youth Association, and the Australia-China Youth Dialogue. The government and Australian universities also need to work with Chinese education providers to remove structural barriers (nationality-segregated dormitories and bureaucratic exclusion) to Australian international students being involved in Chinese university life. Investing in 'China literacy' will enable a generation of Australians to begin an authentic discourse with the symphony of academic, commercial, cultural, and ultimately human voices of 1.3 billion Chinese people. Short-term surplus seeking is economically irrelevant without a human vision for Australia's future.

However, the international student experience in Australia is just as important, with Austrade estimating there are 87,588 Chinese students enrolled at Australian universities, contributing A\$4billion to the Australian economy and comprising 69% of our

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services exports to China. But as increasing numbers of Chinese with international qualifications saturate the Chinese job market, to compete with the UK and US the government must collaborate with universities to formulate a strategy that addresses common difficulties by ensuring Chinese students gain fluency in English, strong connections with the local Australian community, and professional employment opportunities. The Knight Review allowed international university students to work during and after their studies, but visa reforms must be extended to vocational institutions to mobilise Chinese demand for hospital-

ity, tourism, and business courses. Education should have a key role in increasing the knowledge, understanding and goodwill towards Australia of future Chinese political, economic and societal leaders with positive experiences in Australia during their formative years. Ultimately, the transformation of our relationship with China from agnostic to enthusiastic will be driven by people-to-people relationships.

The Leadership of Ideas

This paper could be attacked as idealistic, but this is exactly how our thinking should be. Vision should come before policy, not vice versa. In the words of Stephen Fitzgerald, what Australia needs in its approach to China is a 'stretch of the imagination' – and it is difficult for society to move forward without government inhabiting the 'leadership of ideas'. Australia should use the necessity of responding as a nation to the rise

of China as an opportunity for introspection about the values underpinning the nation. At the start of a three-year term, this Australian Government has the opportunity to consolidate and consistently reinforce a China-cognisant vision for Australia into a mainstay of the national political consciousness.

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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

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CIW journals

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

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(<http://www.eastasianhistory.org>)

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

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