The Dilemma of Interdependence: The Features and Trends of Sino-Australian Relations

Yu Changsen & Jory Xiong
(School of Asia-Pacific Studies, Sun Yatsen University, China)

The relation between China and Australia is a kind of close interdependence; however that is asymmetric, even contrary. China is the No.1 trade partner of Australia, but meanwhile it is the most uncertain factor of security concerns of Australia. Sino-Australia relations are essentially process of inter-adjustment by China who is an oriental great power with socialistic political system and Australia who is a leading middle power in Asia-Pacific region and tends to keep status in quo. This essay will analyze current features and trends of Sino-Australia relationship, by applying the interdependence theory of international political economy as a path. The final part of this essay will prospect the future of Sino-Australia relationship, and rise up possibilities.

Interdependence Theory and its Analytic Framework

Today, as globalization and regionalization have been highly developed, it is indeed a fact that international society has become more and more interdependent.

The concept of interdependence comes from dependence. Dependence means a state of being determined or cantly affected by external forces. Interdependence, most simply defined, means mutual dependence. Interdependence in world politics refers
to situations characterized by reciprocal effects among countries or among actors in
different countries.¹

Interdependence is different from interconnection. Where there are reciprocal
(although not necessary symmetrical) costly effects of transaction, there is
interdependence. Where interactions do not have significant costly effects there is
simply interconnection.

In most circumstances, interdependence represents its feature as asymmetry. The
asymmetry of interdependence composes the source and pattern of power in
international politics. Since power can be thought of as the ability of an actor to get
others to do something they otherwise would not do. Power can be conceived in terms
of control over outcomes. When we say that asymmetric interdependence can be a
source of power we are thinking of powers as control over resource, or the potential to
affect outcomes. A less dependent actor in a relationship often has a significant
political resource, because changes in the relationship will be less costly to that actor
than to its partner. The advantage does not guarantee, however, that the political
resources provided by favorable asymmetries in interdependence will lead to similar
patterns of control over outcomes.

There are two key variables to understand and examine interdependence,
Sensitivity and vulnerability.

Sensitivity involves degrees of responsiveness with a policy framework—how
quickly do changes in one country bring costly changes in another, and how great are
the costly effects? Sensitivity interdependence is created by interactions within a
framework of policies.

The vulnerability dimension of interdependence rests on the relative availability
and costliness of the alternative that various actors face (based on policy changes).In
terms of the cost of dependence, sensitivity means liability to costly effects imposed
from outside before policies are altered to try to change the situation. Vulnerability
can be defined as an actor’s liability to suffer costs imposed by external events after
policies have been altered (over a period of time).²

Interdependence not only catalyzes the emergence of international cooperation, and
also composes the origin of conflict. In order to promote cooperation and solve
conflicts, the establishment of international institution becomes particularly important.

¹ Robert O. Keohane and Joseph S. Nye, Power and Interdependence (3rd Edition), Pearson Education Asia
² Robert O. Keohane and Joseph S. Nye, Power and Interdependence (3rd Edition), Pearson Education Asia
By creating or accepting procedures, rules, or institutions for certain kinds of activity, governments regulate and control translational and interstate relations. Relationships of interdependence often occur within, and may be affected by, networks of norms, and procedures that regularize behavior and control its effects. We refer to the sets of governing arrangements that affect relationships of interdependence as international regimes.¹

Based on the viewpoints of neo-liberal institutionalism in international politics, the openness of international mechanism is propitious to reduce the asymmetry of information, by which it will promote to come to an inter-state cooperation agreement, and provide a trust foundation of symbiosis. It is also the basic impetus of international mechanism establishment under international organization. In international anarchy, international institutions have got the substitutional function of adjusting international relations and promoting international cooperation, and thereby keep cooperation after hegemony.²

The Establishment and Evolution of Sino-Australia Interdependence

From mutual-antagonism to mutual-acceptance
At its beginning of state foundation, influenced and restricted by British culture and colonial system, Australia got a very ambiguous cognition to Asia including China, and there were quite a few direct connections between Australia and Asia. Thus, in opinions of most scholars, just as a colony oversea of Great Britain at that time, Australia lived in nearly close geographical environment and jungle-culture atmosphere.³ At the beginning of 20th century, Australia was nervous and scared by Asia, which indeed was ‘Yellow Peril’, because of the impact of Asian emigration flood, Japan’s invasion in Far East, and the shock of China’s national liberation movement. As WWII broke out, relations between China and Australia were improved for a time. In May of 1941, Australia established the diplomatic relations

with China under the government of Republic of China. After WWII, in the name of ‘defending Christian culture’ and fighting against expansion of communism, Australia, following Britain, US, and other western countries, took part in wars of Korea and Vietnam, during which period, the relations between China and Australia were in a state of contrary. In 1960s-1970s, relations between Australia and Asia changed delicately. Firstly, the former strongest British Empire declined to a second-class power, for which the Race Vantage-point, Australians’ long-term support, was weaken continually. Secondly, more and more Asian immigrations had changed the population proportion between Australian White origins and persons of color. Thirdly, Southeast Asia countries, which are Australia’s northern neighbors, stepped on the way of Asian mode after their successive independences and state foundations. Fourthly, the international status of China had been upgraded continuously. In October of 1971, as the biggest country of Asia, People’s Republic of China joined in the UN, taking place of ‘Republic of China’ in Taiwan. Then, relationship between China and US was ameliorated and normalized gradually. Under those situations, Australia’s new Labor government changed traditional policies toward Asia by Conservative Party, abolishing the ‘White Australia Policy’ and close to Asia immediately. It was the major symbol that on 21st of December in 1972, Australia established the diplomatic relationship with People’s Republic of China, admitting that Taiwan is a part of China. Finally, China and Australia implemented the historic changeover from mutual-estrangement and mutual-antagonism to mutual-acceptance.

The circuitous development of Sino-Australia relations after diplomatic relationship establishment and the formation of interdependence

After diplomatic relationship establishment, till 1989, political and economic relations between China and Australia developed fast. On politics, leaders of both made lots of high-level visits to each other, and shared the same or similar positions on important international and regional issues. Especially in 1983, Australia’s Hawk government raised up the policy named ‘Facing to Asia’ for the first time. On economies, there were huge space and potential of cooperation since China and Australia possessed quite different geographic positions and natural endowments. Especially after 1978, by ‘Reform and Opening up’ policy, China’s economy kept high speed developments and provided opportunities to Australia. The bilateral trade volume was only 72 million US dollars in 1972, when China and Australia achieved the formal
establishment of diplomatic relations, and it jumped to 216 million US dollars in 1973, when the two countries sighed trade agreement, applying MFN mutually. Australia became the first country that provides assistances for developments to China in 1981. In 1978, Australia provided GSP to China, further promoting the developments of Sino-Australia trade. The bilateral trade volume broke through 1 billion US dollars, reaching to 1.183 billion US dollars in 1984. In 1986, China became the 4th export market of Australia; meanwhile Australia became the 5th trade partner of China. In 1989, the bilateral trade volume reached to 1.895 billion US dollars, in which China occupied 423 million US dollars export only, with trade deficit. In 1998, the bilateral trade volume broke through 5 billion US dollars, and China became the 5th trade partner, the 7th export market, and No. 1 customer for wool of Australia; Australia became the 9th trade partner, the 4th export market, and important foreign investment of China.\(^1\) However in areas of politics and security, the relationship between China and Australia performed up and down, even in crisis for differences in social systems, values, and orientations on security strategies between two countries. Especially after China’s ‘6.4’ political turmoil in 1989, Australia, following US, took condemnations and sanctions on China, unilaterally suspending high-level visits temporarily, restricting contacts of senior officials, terminating sales of defense equipments and high-level visits of polices or militaries, stopping provisions of preferential trade finance and services of marketing information to China, etc., and proclaiming to give temporary residences to Chinese citizens who arrived in Australia before 20th of June, 1989. Chinese government considered these behaviors above as gross interferences to China’s internal affairs. Serious political reversals appeared in the relationship of two countries until his declaration of formal cancellation of any political or economic sanction to China during the visit to China by Gareth Evans, the Minister of Foreign Affairs of Australia. Again, Sino-Australia relationship fell into deadlock for crisis of Taiwan Strait in 1996. Australia supported the presence in Taiwan Strait of US’ aircraft carriers, and investigated the possibilities of uranium sales to Taiwan, and dispatched government ministers to visit Taiwan, and signed ‘United States and Australia in the 21st Century Strategic Partnership Joint Statement’, and Prime Minister John Howard met Dalai Lama with the permit of Dalai Lama’s visit to Australia. Australia’s irrational behaviors made his policies toward China be the main objectives of media criticisms in China, and the turning point came finally till the

\(^1\) Economic Daily (Jingji Ribao), September 8, 1999.
meeting by heads of two countries at APEC in Manila in November of that year. This above all shows that political differences were still quite obvious, although the economic relationship had been developed more and more closely after their establishment of diplomatic relationship of China and Australia.

The rapid developments of Sino-Australia relationship and the growth of interdependence at the beginning of 21st century

In the first 10 years of 21st century, the interdependence between China and Australia has been enhanced significantly. Firstly, it is investigated from the perspective of bilateral trade relations. The total trade between China and Australia rose extraordinarily rapidly during 2000 to 2009. In 2002, bilateral merchandise trade broke through 10 billion US dollars for the first time, and it doubled to more than 20 billion US dollars in 2004, when China became the 2nd trade partner of Australia. In 2007, taking the place of Japan, China became the 1st merchandise trade partner of Australia with the total bilateral merchandise trade of 43.946 billion US dollars, and then 60.092 billion US dollars in 2009. It increased 5 times just in 7 years, during 2002 to 2009, with average annual growth rate more than 28%, in which amounts of China’s imports from Australia occupied 39.438 billion US dollars, attaining a year-to-year growth of 31%. The powerful exports by Australia to China made Australia’s trade surplus of 5.5 billion US dollars. In 2009, China became the No. 1 trade (including service trade) partner of Australia while Australia became the 7th counterpart of China. (Table 1) The bilateral total trade during January to April this

<table>
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<tr>
<th>Year</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
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<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
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<tr>
<td>Export</td>
<td>3.43</td>
<td>3.57</td>
<td>4.58</td>
<td>6.26</td>
<td>8.84</td>
<td>11.06</td>
<td>13.63</td>
<td>17.99</td>
<td>22.24</td>
<td>20.65</td>
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<tr>
<td>Import</td>
<td>5.02</td>
<td>5.43</td>
<td>5.85</td>
<td>7.30</td>
<td>11.55</td>
<td>16.19</td>
<td>19.32</td>
<td>25.95</td>
<td>37.42</td>
<td>39.44</td>
</tr>
<tr>
<td>Total</td>
<td>8.45</td>
<td>8.99</td>
<td>10.44</td>
<td>13.56</td>
<td>20.39</td>
<td>27.25</td>
<td>32.95</td>
<td>43.95</td>
<td>59.66</td>
<td>60.1</td>
</tr>
</tbody>
</table>

Source: 1. China Commerce Yearbook Editorial Committee(2009), *China Commerce Yearbook*
year reached to 30.7 billion US dollars, with increasing 49.5%, and the mounts of China’s imports from Australia increased 57.6%. It shows the state of powerful recovery and rapid increase.

Secondly, it is investigated from the perspective of two-way investigation relations. As the important investment partner to each other, two-way investment now is becoming a new growth-point of trade cooperation between China and Australia, although Sino-Australia two-way investment has not taken a very important role yet compared with rapid developing bilateral trade. According to the statistical data in 2005, China was the No.20 country of Australia’s oversea investment destinations. Till 2008, the amount of China’s accumulative approvals of Australia direct investment was 8954, and the actual investment was 5.82 billion US dollars. (Table2)

<table>
<thead>
<tr>
<th>Years</th>
<th>Number of approvals</th>
<th>Contract Investment</th>
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<tr>
<td>2000</td>
<td>393</td>
<td>697</td>
<td>308</td>
</tr>
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<td>2001</td>
<td>439</td>
<td>675</td>
<td>336</td>
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<tr>
<td>2002</td>
<td>592</td>
<td>910</td>
<td>380</td>
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<td>2003</td>
<td>785</td>
<td>1915</td>
<td>593</td>
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<tr>
<td>2004</td>
<td>736</td>
<td>2053</td>
<td>664</td>
</tr>
<tr>
<td>2005</td>
<td>692</td>
<td>2700</td>
<td>400</td>
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<td>2006</td>
<td>629</td>
<td>2100</td>
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</tr>
<tr>
<td>2007</td>
<td>-</td>
<td>--</td>
<td>-</td>
</tr>
<tr>
<td>2008</td>
<td>337</td>
<td>1020</td>
<td>--</td>
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</tbody>
</table>

Source: Committee China Commerce Yearbook 2001-2009, China Commerce Yearbook Press.

Australia investment field include industries of agriculture, building-materials, textile, electronics, and service, etc. Till April of this year, Australia’s accumulative actual investment to China has broken through 6 billion US dollars.
Meanwhile, the investment by China to Australia was limited in the past, but it tended to be increased rapidly in recent years. According to the statistical data by FIRB of Australia, in the year of 2001-2002, China’s investment applications amounted 237, total valued 310 million Australian dollars, taking the 12th place of foreign investment countries accepted by Australia, and in the year of 2005-2006, China’s investment applications amounted 84, total valued 720 million Australia dollars, jumping to the 3rd place. The main industries by China’s investment are smelting and processing of mineral, real-estate and agriculture. China was Australia’s second largest investor in 2008-09 with $26.6 billion. Investment in the mineral exploration and development sector accounted for $26.3 billion, representing 99 per cent of all Chinese investment in Australia. This was dominated by one failed proposed investment of $19.8 billion between Chalco and Rio Tinto, which represent 74 per cent of the total Chinese investment. (Table 3) It is said that the direct investment by China to Australia in January-April of 2010 was up to 644 million US dollars, which was still keeping the powerful momentum of rapid growth.

Table 3: FIRB Approved Chinese Investment in Australia ($A millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of approvals</th>
<th>Totals</th>
<th>Rank</th>
</tr>
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<tbody>
<tr>
<td>2001-2002</td>
<td>237</td>
<td>311</td>
<td>12</td>
</tr>
<tr>
<td>2002-2003</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>2003-2004</td>
<td>170</td>
<td>1100</td>
<td>11</td>
</tr>
<tr>
<td>2004-2005</td>
<td>206</td>
<td>264</td>
<td>12</td>
</tr>
<tr>
<td>2005-2006</td>
<td>84</td>
<td>7259</td>
<td>3</td>
</tr>
<tr>
<td>2006-2007</td>
<td>874</td>
<td>2640</td>
<td>11</td>
</tr>
<tr>
<td>2007-2008</td>
<td>774</td>
<td>7479</td>
<td>6</td>
</tr>
<tr>
<td>2008-2009</td>
<td>57</td>
<td>26599</td>
<td>2</td>
</tr>
<tr>
<td>Totals</td>
<td>2402</td>
<td>45652</td>
<td></td>
</tr>
</tbody>
</table>


At the same time, since 1980s, Australia has provided to China 127 programs of development assistances and cooperation related to agriculture, forestry, animal
husbandry, communication, education, health, and environmental protection, total valued 470 US dollars.

Thirdly, it is investigated from the perspective of cooperation in other areas. In the new century, it is more frequent of high-level visits and personnel exchanges between China and Australia. Kevin Rudd, the Prime Minister of Australia, took his successful visit to China in April of 2008. There were 1 million visitor exchanges between two countries in 2008, in which 600 thousand Chinese to Australia and 400 thousand Australians to China. There are 13 thousand students in Australia from China, which is Australia’s biggest student source, and it is still on expansion. In October of 2009, the Deputy Prime Minister of China, Li Keqiang visited Australia, and Chinese and Australian governments issued the 1st ‘Joint Declaration’ since the establishment of the diplomatic relationship by two countries. Leaders and governments of the two countries decided that China and Australia will host ‘The Year of Culture’ alternately, by which China will host ‘The Year of Australian Culture’ in 2010-2011, and Australia will host ‘The Year of Chinese Culture’ in 2011-2012. During his successful visit by Xi Jinping, the Deputy President of China, leaders of two countries took a highly effective talk on ‘consolidating and upgrading the Sino-Australia comprehensive cooperative relations’, and sighed several treaties on cooperation.

On the other hand, we have to realize clearly that because of differences of political systems, conditions of the two countries, histories & cultures, religions & beliefs and real conflicts of interests, divarications between China and Australia still exist, even sometimes they perform obvious and serious. For example, the Sino-Australia relationship waved up and down in 2009. At the beginning of that year, Australian government published new version of ‘Defense White Paper’, pointing out ‘China Threat’ directly. Then the case of Rio Tinto ignited media wars between China and Australia. In autumn, China expressed his ‘strong dissatisfaction’ for the Xinjiang separatist, Rebiya Kadeer’s ‘channeling visit’ to Australia and hot pursuit by Australian medias. These above, urge people take great concerns on dilemmas of the two countries; however the interdependence between the two has been deepened continuously.

The Analysis on Sensitivity and Vulnerability of Sino-Australia Interdependence and its Institutional Framework
Considering the features of Sino-Australia relationship, based on the analytic framework of theories on interdependence, this essay will deepen the analysis of Sino-Australia relationship from sensitivity, vulnerability and institutional framework, the three major variables of interdependence.

Analysis on the sensitivity of Sino-Australia relationship
Since sensitivity interdependence is created by interactions within a framework of policies. Sensitivity mainly involves degrees of responsiveness with a policy framework—how quickly do changes in one country bring costly changes in another, and how great are the costly effects? In terms of the cost of dependence, sensitivity means liability to costly effects imposed from outside before policies are altered to try to change the situation.

Since Sino-Australia interdependence is being deepened continuously, the mutual affects on policies of the two countries are quite sensitive. Sensitivities of interdependence present on areas of politics, societies, especially economics. The merchandise imports and exports between China and Australia, mainly as inter-industrial trade by the structure of vertical division of labor, are complementary indeed. The merchandises China exports to Australia are mainly industrial products, such as costumes, electronic components, computers, toys, and sport equipments, and merchandises China imports from Australia are mainly resource products, such as iron-ore, wool, farming products, and copper-ore, etc. The complementary may be caused by different natural endowments of China and Australia, or maybe caused by trade barriers the two countries. Analyzed into the structure of Sino-Australia trade and investment relations, there are both advantages and disadvantages of the two countries. So when interdependence presents as power relation, each side has different jetton to throw forces to the other. No matter trade or investment relations, economic interdependence between China and Australia firstly presents on China’s intense need for Australia’s resource for economic highly development, which has just expanded opportunities of Australia’s exports, and goaled considerable economic bonuses. Taking the structure of merchandise trade in 2008, the total value of China’s merchandise imports from Australia was 37.4 billion US dollars, 90% of which are resource products, especially mine products, including iron-ore (22.45 billion US
dollars), alumina (1.46 billion US dollars), wool (1.3 billion US dollars), manganese sand (1.19 billion US dollars), and copper ore (1.1 billion US dollars).

Australia is one of the mine-resourceful countries in the world, with more than 70 kinds of mine, 6 or 7 kinds of which are the most in the world. China now is Australia’s biggest country of energy sources exports, occupying the quotient from 4.5% in 1995 to 26.3% in 2009. In recent years, scales of cooperation of Sino-Australia energy & mine have been expanded continuously, from traditional iron-ore sand, alumina, coal, etc to clean-energies, such as LNG, CBM, etc. In 2002, companies of the two countries sighed the contact of LNG exports to Guangdong province, which is the first contact valued up to 25 billion Australian dollars, and in 2009, these two sides sighed the contact of Gorgon LNG, total amounted 2.25 million tons and valued 50 billion Australia dollars. This year, the two sides sighed the contact of Curtis Company of Australia LNG, total amounted 3.6 million tons and valued more than 44 billion Australia dollars. The cooperation of exploitation and utilizing of CBM by companies of the two countries is also advanced smoothly.

China was Australia’s largest market for iron ore, accounting for 72.4 per cent or $21.7 billion in 2009 (and has been number one since 2004). Export values have increased by an average 41.8 per cent per annum since 1999, while export volumes have increased by 25.7 per cent on average. The increase in demand for Iron ore by China is due to the large increase in Chinese steel production, which has risen from just over 120 Mt13 in 1999 to 568 Mt in 2009 and accounted for 46.6 per cent of world steel output. Over the past 10 years, Australia was the largest source of imports of Iron ore by China and accounted for 40.1 per cent of total China imports of Iron ore in 2009. It was reported by ‘The Austalians’ on 31st, March of 2010, Gindalbie Metals in Australia has sighed the iron-ore contact with Anshan Iron and Steel Works in China, which values 71 billion Australia dollars and records the mine sales of Australia. Gindalbie shows that they will sell the life-long exploitation of Karara magnetite, located in the central west of West Australia to Anshan Iron and Steel Works, and it predicts that, the annual output in the future 30 years will be 30 million tons. This project was under construction since the end of last year, and the first set of iron-ore exporting to China will be probably on shipment in the second half of 2011.

The Australia-China economic relationship is set to be further bolstered by greater flows of Chinese investment to Australia. In the short term, these flows will likely be
an escalation of the type recently seen in the natural resources sector that have been prompted by the Chinese government’s Go Abroad policy. It indicates that Chinese direct investment has been heavily concentrated in just two sectors – real estate; and mineral exploration and development and resources processing. Though Australia has received tremendous interest in mineral and farm sectors trade with China, it also suffer and losers in the other sector such as textiles and clothing manufactures, auto parts and tire manufactures, and producers of some fruits and vegetables. Since Chinese exports of these goods to Australia have eaten away at the domestic market shares of Australian producers. At the same time, in the service sector, Chinese market is heave protected.

The highly interdependence of Sino-Australian economy and trade increased the sensitivity on the policy the other made. Therefore, they extruded each other’s room of choice on policy and led to the dilemma of mutual dependence. Firstly, as the major field of Sino-Australian economy cooperation, energy industry has been protected by national policy in Australia particularly. The failure of Chinese state enterprise purchasing share of Australian energy industry is highly related to the consideration of national security strategy by Australia government directly or indirectly. Such as 2009’s case of Chalco purchasing Rio Tinto, due to the delay tactics of FIRB, a nearly 20 billion Australian dollar investment program failed. Secondly, energy industry provides Australia government a large amount of tax and finance income; in the meantime, it brings a powerful interest group which exerts great influence to Australian politic ecosystem. Former Prime Minister Kevin Rudd once planed to impose a 40% rate energy tax which invited violent resistance by energy industry and became the pretext of the Opposition Party’s attack, leading to his fall of power finally. Once the new tax put into practice, not only Australian energy industry will decrease income, but also China importing company will bear for the transfer of cost from raising the price of product. Thirdly, China’s fast growing demand of energy enlarges its dependence on Australian energy products. However, this kind of dependence isn’t equal; it is very likely to be the trump card for Australia towards China. As pointed out by Dr. Geoff Raby, the Australian Ambassador to China, “China’s heavy reliance on Australia’s mineral and, increasingly, energy resources is a significant national asset for Australia in our diplomatic dealings with China. It gives us a level of influence well beyond our size in terms of population or
geo-strategic importance.”¹ Moreover, individual Australian energy export department made use of the disorder in Chinese market and caused the malignant competition in its inner industry. Essentially, Rio Tinto event is a typical commercial competition case being highly politicized, which reveals the high sensitivity of Sino-Australian’s interdependent relationship. Chinese government has to employ judicature procedure to sue Australian Rio Tinto’s representative in China for obtaining highly sensitive commercial intelligence by unfair means. The cause and effect to the Rio Tinto case shows completely how the power game is played while the two sides take advantage of the transitory unsymmetrical predominance formed during interdependent times to force the other.

Analysis of the frangibility of the Sino-Australian relationship

The vulnerability dimension of interdependence rests on the relative availability and costliness of the alternative that various actors face (based on policy changes). In terms of the cost of dependence, Vulnerability can be defined as an actor’s liability to suffer costs imposed by external events after policies have been altered (over a period of time). The frangibility of interdependence could be taking to explain the economy relationship between countries, but it’s more proper to interpret political security relationship. We can find that the frangibility on political security in the interdependent Sino-Australian relationship is particularly obvious.

It is a natural phenomenon in international political sphere that difference appears between countries when they hold different strategy objective. On account of the historical gap between Sino-Australian, each of them holds respectively national dominant value and social system; their different geopolitics strategies in particular lead to difference, competition or even conflict in both sides’ strategy advantage which leads to security dilemma. Just during Australia enjoying Chinese bargain and sharing surging bonus of Chinese economy growth, China, still persisting in communism ideology dominant value and socialism system, its growing up as a orient super power cannot but made Australia—the capitalism middling great power that used to western leading predominance—feel upset.

As Sino-Australian economy relationship constantly strengthened, especially after China surpassed Japan to become Australia’s No.1 trade partner—this is the first time

in Australian history that its biggest trade partner is not the member of alliance system—in the past time is Britain, US, Japan in turn, it makes Sino-Australian relationship gets very complicated and delicate. Australian mainstream realism scholars consider that Chinese economy development certainly will accelerate its national defense modernization, which leads to the unbalance in regional strategic power. How to harmonize the relationship of security alliance with US and the increasingly important Sino-Australian trade partner relationship has become Australian main foreign policy challenge. “It is common in Australian strategic analysis to conceive of deadly Chinese-US strategic competition as inevitable and that this must provoke a nightmare choice for Australia between its security relation with the US and its booming economic relationship with China”.

On one hand, Australia has to bear ally responsibility with US; on the other hand, it must avoid stimulating China as well—Australia must contribute to set up a steady and constructive China-US-Australia triangle relationship. Some scholars frankly point out that how to cope with the booming China becomes the most essential challenge to the Australia-New Zealand-US ally after it founded for half century. Australia has to conciliate quite properly with US the contradiction in their geographic and economic benefit in Asia and historical and cultural coherence. During this process, Australia must draw a successful policy, not alienating with Beijing or Washington. This will influence Australian national security in the following ten years. Australia should hold a deeply considered decision-making mode towards China or US, so as to ensure state advantage to the greatest extent. On important strategic problems, Australia should keep long-term and structural dialog and consultation to avoid criticism from the conflict between China and US. On national defense policy, it particularly enhances the defense towards China. In the spring of 2009, Australia published the new edition of <defense white paper> named as <Defending Australia in the Asia pacific century: force 2030>. In the white paper, it clearly puts the booming China as the unsteady factor in the Asia-pacific area, and takes China as imaginary enemy of future Australian national defense construction. The white paper fully exaggerated “China threat” and claimed that Chinese military modernization uneasy neighbor countries. Along with the military power of countries like China growing up, Asia-pacific area is likely to have war in the next 20 years. It still emphasized US as Australian


indispensably allies. In order to cope with the uncertainty of China’s booming, the white paper mark that, Australia will invest more than 70 billion US dollars to improve armament in the future 20 years: submarine will be double to 12; another 100 F-35 battle planes; 8 more new type frigates and 3 more destroyers.¹ The “China threat” statement among the words fully embodied Australian political ecosystem and security idea, and revealed the uneasiness of Australia on the uncertainty about international structure change.

Australia’s distrust to China makes it very difficult to built tacit strategic cooperation fellowship. It illuminates that the deepening of the bilateral economic interdependence doesn’t necessarily generate political trust or strengthen community awareness. Just like Sino-Japanese relationship has long been puzzled by “the cold political relationship but hot economic relationship”. Due to the high incorporation of bilateral economy, the decision-making cost of betray the other increases, thus interdependent becomes more and more fragile.

Analysis of current institution’s controllable function and its limitation on Sino-Australian relationship

Interdependent causes international cooperation and conflict too. In order to promote cooperation and avoid conflict, the creation of the international institution gets particularly important. State by creating or accepting procedures, rules, or institutions for certain kinds of activity, governments regulate and control translational and interstate relations. For the sake of expressing concern about the sensitive issues and relevant policy from bilateral interdependent, reducing the frangibility and increasing resilience, the two countries have built or seeking international institution to exert its accommodation effort. Mainstream Australian scholars considered that, as a small, wealthy country with no natural region, Australia could only benefit from multilateral institutions' taming effect on the law-of-the-jungle international system and the greater voice they provided for smaller states. As Asian states became richer and stronger, they would form increasingly cohesive and effective regional institutions. In order to avoid being left on the outside, Australia had to be in such associations from the beginning. To be an effective regional player, Australia had to adapt to Asian

ways of diplomacy while transforming itself from within: reconciliation, the republic, multiculturalism.¹

Currently, China and Australia’s cooperation frame on institution is distributed in three different levels. Firstly, the global level, the main cooperation institution are UN, WTO and G20; secondly, the regional level, the main cooperation frames are APEC, ARF and EAS; thirdly, the bilateral level, the main cooperation frames are Ministerial-level dialogue, Human Right Dialogue, Free Trade Negotiation and the second track mechanism framework of Australia-China Council. (Table4)

Table4: Main Institutional Frameworks of China and Australia

<table>
<thead>
<tr>
<th>Institutions</th>
<th>China</th>
<th>Australia</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Global</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>UN (1945-)</td>
<td>√</td>
<td>√</td>
</tr>
<tr>
<td>WTO (1995-)</td>
<td>√</td>
<td>√</td>
</tr>
<tr>
<td>G20 (1999-)</td>
<td>√</td>
<td>√</td>
</tr>
<tr>
<td><strong>Regional</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>APEC(1989-)</td>
<td>√</td>
<td>√</td>
</tr>
<tr>
<td>ARF(1994-)</td>
<td>√</td>
<td>√</td>
</tr>
<tr>
<td>East Asian Summit(2005-)</td>
<td>√</td>
<td>√</td>
</tr>
<tr>
<td>Shanghai Cooperation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Organization(2001-)</td>
<td>√</td>
<td>x</td>
</tr>
<tr>
<td>ANZUS(1951-)</td>
<td>x</td>
<td>√</td>
</tr>
<tr>
<td>Pacific Islands Forum (1971-)</td>
<td>x</td>
<td>√</td>
</tr>
<tr>
<td><strong>Bilateral</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ministerial-level dialogue(2007-)</td>
<td>√</td>
<td>√</td>
</tr>
<tr>
<td>Human Right Dialogue(1997-)</td>
<td>√</td>
<td>√</td>
</tr>
<tr>
<td>Australia-China Council(1978-)</td>
<td>√</td>
<td>√</td>
</tr>
<tr>
<td>Free Trade Agreement(Negotiation2005-)</td>
<td>√</td>
<td>√</td>
</tr>
</tbody>
</table>

Firstly, it is the global level. Chinese gross economy is ranking the 3rd in the world now; Australia 14th, their gross economy is more than 5 thousand billion US dollars together, they have plenty of mutual benefits and focuses in the global and regional events. Recently, they hold the same or close position in the fields of climate change, nuclear energy use in peace, anti-nuclear proliferation, anti-terrorism, financial order

stabilization etc. Besides, they supported each other and made fruitful cooperation. Especially on the climate change issue Australia cared about, China gives it high level concern and put it as an important part in bilateral cooperation. In the April of 2008, Premier Kevin Rudd and climate change and water resource minister Penny Wong had reached a united announcement on strengthen climate change cooperation. One item in it is to hold a minister level talk. The first talk had been held in November of 2008. The two countries hold basically same position on anti-nuclear proliferation and use nuclear energy in peace, and they have already subscribed two important documents named Transfer of Nuclear Material Agreement and Cooperation in Peaceful Uses of Nuclear Energy Agreement in 2006. However, due to their difference in power and focus, their global strategic targets have some differences. So, their cooperation has limitation.

Secondly, it’s regional level. The regional cooperation frames between the two are: APEC, ARF and EAS. Among these, APEC is the Asia-pacific economic cooperation institution both the countries participating. This institution is founded by Australia in 1989 in its capital Canberra in the first place. China, Chinese Hong Kong and Chinese Taipei all joined APEC in 1991’s Seoul conference as sovereignty and member of economy body. The main aims of APEC are regional trade liberalization, facilitation and economic technology cooperation. Up until now, APEC has already developed into an integrated economic cooperation route to hold all levels of conference that covers political leaders, ministers and enterprise senior managers. While based on ASEAN, ARF is a main dialogue system to discuss Asia-pacific security issues. With the founding members like China and Australia, this mechanism started from 1994. ARF acted a constructive role in the regional countries inter-trust building and nontraditional security crisis prevention. While EAS is come from Asean plus three system, its members containing: Asean countries, China, Japan, Korea, India, New Zealand and Australia. The summit’s aim is: to build a great East Asia community by long-term effort. However, regional multilateral have some serious disadvantage—loose restrain that leads to decision-making lacking of authority and validity. Therefore, after Kevin Rudd takes the premier post, he proposed an idea of constructing an Asia-pacific community so as to boost Asia-pacific regional economy and security cooperation to update the former system’s cooperation level.

Thirdly, it’s bilateral level. Since diplomatic relation established, China and Australia subscribed a series of agreements involving: politics, economy, military
affairs, culture, education etc. that settled the foundation of Sino-Australian relationship. Meanwhile, according to demand and characteristic of different times, they also set up some bilateral dialogs and negotiation mechanisms. The main mechanisms are: 1. Sino-Australian human right talk. The human right talk starts from 1997, unto 2009; the talk has been taken 12 times. They deeply exchanged attitude on broad topics, such as: state act on human right protection, economic-social-cultural right, minority women-children and disabled people’s right, international human right cooperation etc. 2. Sino-Australian minister level dialogue mechanism. It started in 2008. It’s a important fruit of president Hu jintao’s 2007 national affair visit and it provides two sides a significant way of enhancing dialog, communication and harmony on big issues about Sino-Australian relationship development. 3. On building free trade relationship talk mechanism. In October 2003, Chinese president Hu jintao signed the “Sino-Australian trade and economy frame" when he visited Australia. In April 2005, Australia announced its acknowledgement of China’s total market economy status— it means another western developed country’s acknowledgement after New Zealand. In May 2005, Australia and China agreed to commence negotiations on a Free Trade Agreement (FTA). So far, it has been held for 14 rounds. 14th round of negotiations on the Australia-China Free Trade Agreement (FTA) was held in Canberra from 24 to 26 February. They negotiated on goods trade market admittance, finance, education service, knowledge property right, investment, non-tariff measure, original producing area rule, custom order, inspection and quarantine, discordance settlement, early fruit of respectively cares and so on. According to scholar’s study, to build the Sino-Australian free trade area has many advantages: Sino-Australian resource better deployed to meet the demand of resource like: agricultural product, mineral, energy from Chinese economic growth, satisfy Australian need to enlarge overseas market; thus both sides will benefit quite a lot. Especially look in the long run, Chinese welfare will increase 0.856 billion US dollars and Australian welfare will boost 0.72 billion US dollars. By establishing Sino-Australian free trade area, surrounding countries and regions will lost some competitiveness, e.g. Asean countries, Japan, Korea, India will be cut some welfare. However, looking in the angle of whole world, to build the FTA is not only good for China and Australia, but also world welfare will be enhanced for world’s whole welfare will be improved from short-term 0.112 billion US dollars to long-term 1.296
billion US dollars.  At present, Sino-Australian free trade netotiation is nearly finished, hoping it could be come to an agreement soon. It takes very important instructive sense to eliminate bilateral economic-trade dispute; even to a certain extent, it has significant effect to ease Sino-Australian sensitive and fragile interdependent relationship thoroughly.

Conclusion and Expectation

All in all, by analyzing Sino-Australian relation development, we can find that its interdependent relationship holds multi-characteristics—mostly are these three groups—positivity and negativity, sensitivity and frangibility, balance and imbalance. Positive interdependent relation acts as mutual benefit and cooperation; while negative interdependent acts as confrontation, conflict or even bully. Sensitive interdependence mainly in present economic and trade; fragile interdependent mainly present in political and security strategy. Interdependence could be unsymmetrical. Their difference in sensitivity on policy change acts approximately same or not. We can also call it cost. To unsymmetrical one, it could be unilateral dependent, or both will cost much to change policy towards the other and limited in substitutable policy. In sum, Sino-Australian relationship is greatly restricted by multi-factors, such as: geopolitics, value, alliance system, economic benefit distribution etc. It is a complex interdependent relationship.

Judging form the trend of present and future, Sino-Australian interdependent relationship has both contradiction and identity. On one hand, Australia provides China motivity and energy for its booming economy and Australia gets great profits too, which generates symbiosis; on the other hand, China’s rise certainly will change future Asia-pacific geopolitical structure. To some exert, it will damage the hundred years’ western dominance, acting as a zero win game. So, their perspective and policy target to interdependent relation have certain difference. Actually, it is an adjustment process between a booming and revival super power and a hoping-to-maintain status quo middle great power. The phenomenon that both cooperation and competition in

Sino-Australian relationship reflects the universal law in international political power transfer process.

To break through the sensitive and fragile dilemma in the interdependent process, both countries should firstly build further mutual political trust. They should truly get tolerance and understanding to fully knowing the opposite’s reasonable concern and core interests. Healthy and fine-developing Sino-Australian relationship is not only better for China’s peaceful booming, but also is a key condition for stability and prosperity of Asia-pacific in 21 century. Just as Chinese Ambassador in Australia Zhang Junsai hopes, a completely co-operative Sino-Australian relationship that politically equal and trust, economically predominance mutual complementarity, culturally mutual use for reference, correspond and cooperate in regional affairs would be a great example for countries with different political system, cultural background and development levels to pursue harmony and common development. The unilateralism diplomatic policy that trying to use containment, defense, condemnation, or to change the opponent is not only harmful to the health of interdependent Sino-Australian relationship development, but also will damage the overall stability in the region and go against development the trend of time.