

# Griffith Asia Institute

## Regional Outlook

LOOKING BACKWARDS, LOOKING AHEAD:  
40 YEARS OF AUSTRALIA–CHINA RELATIONS  
2012 Australia–China Futures Emerging Leaders Dialogue

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Emerging Leaders' Dialogue:  
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40 Years of Australia–China Relations

## About the Griffith Asia Institute

The Griffith Asia Institute produces innovative, interdisciplinary research on key developments in the politics, economics, societies and cultures of Asia and the South Pacific.

By promoting knowledge of Australia's changing region and its importance to our future, the Griffith Asia Institute seeks to inform and foster academic scholarship, public awareness and considered and responsive policy making.

The Institute's work builds on a 41 year Griffith University tradition of providing cutting-edge research on issues of contemporary significance in the region.

Griffith was the first University in the country to offer Asian Studies to undergraduate students and remains a pioneer in this field. This strong history means that today's Institute can draw on the expertise of some 50 Asia-Pacific focused academics from many disciplines across the university.

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## About the Australia-China Futures Dialogue

Griffith University and Peking University in collaboration with the Queensland Government, have established a future-orientated partnership between Australia and China. This partnership will focus on how the region will evolve in the next 20 years and how this evolution can be shaped. With this background, the Dialogues, which is co-organised by The Griffith Asia Institute and Office of International Relations, Centre for Australian Studies, Peking University, will be conceptually linked around the overarching theme of '*Charting a Common Future: China, Australia and the region beyond 2020*'.

The Dialogues incorporate three yearly events: an Annual Leader's Lecture, Second Track Dialogue and an Emerging Leaders' Dialogue. The project works on building capacity and relationships between Queensland, Australia and its Asia-Pacific neighbours, particularly China. It encourages cooperation and innovation by bringing together leaders and emerging leaders to discuss issues of importance to the Asia Pacific region. These events provide an avenue to formulate and express ideas than can influence future policy decisions.

# Contents

Introduction.....	1
1. Key Challenges in the Australia–China Relationship .....	2
The Australia–US Alliance.....	2
Human Rights.....	3
Public Opinion .....	3
Conclusion .....	4
Notes.....	4
2. The Sino–Australian Relationship: Towards a Brighter Future.....	6
The Present.....	6
The History.....	7
The Future.....	7
Notes.....	8
3. Becoming Global Citizens: A Key Challenge for the Australia–China Relationship? .....	10
Introduction .....	10
Identifying Our Commonalities.....	10
Understanding the ‘Social Imaginary’ .....	11
Understanding Our Identity and Sense of Belonging.....	11
Conclusion .....	12
Notes.....	12
4. Key challenges in the Australia–China relationship.....	13
Notes.....	15
5. Building Strategic Mutual Trust: An Essential Approach to a Better Future for the Sino–Australia Relationship.....	16
Background.....	16
Why the Strategic Mutual Trust is Crucial to Future? .....	17
How to Build Strategic Mutual Trust?.....	17
Conclusion.....	18
Notes.....	19
6. Protectionism: A Key Challenge for Economic Cooperation between China and Australia .....	20
Introduction .....	20
Definition and Forms of Protectionism .....	20
Trade Protection in Bilateral Economic Relations.....	21
Subsidies .....	21
Green barriers .....	22
Solutions.....	22
Summary.....	23
Notes.....	23
7. Changing World, Rising Asia: Challenges in the China–Australia Relationship .....	24
Relevance of the US to Australian Policy Toward China.....	24
The Need to Deepen Mutual Trust and Cooperation.....	25
Conclusion .....	25
Notes.....	26

# Introduction

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Between the 21 and 23 May 2012, both established and emerging leaders from Australia, China and the broader Asia–Pacific region met at the Kurrajong Hotel in Canberra for the Emerging Leaders Dialogue.

The main theme for this conference was ‘Looking Backwards, Looking Ahead: 40 Years of Australia–China Relations’. As Professor Andrew O’Neil (Director of the Griffith Asia Institute) stated in his opening speech, 2012 is the most important year in the history of the dialogue because it marks four decades of Australia–China relations since diplomatic relations were formally established between the two countries in 1972. Since then, both countries have attempted to build stronger economic, strategic and cultural ties, which have in turn produced a complex and multi-faceted relationship. However, while the relationship is arguably strong, is also fraught with difficulties, thereby presenting future leaders with unprecedented challenges and opportunities.

In order to celebrate this milestone, participants were asked to reflect on the past and present dynamics that have defined the relationship, and to chart the possible future trajectory of the relationship beyond 2020. The primary objective of the conference was to facilitate the free and frank exchange of views and to explore new avenues. This paper will outline the main themes that emerged from this dialogue, with particular emphasis on how the Australia–China relationship can be strengthened in the decades to come. In particular, the paper will focus on three main questions:

- (1) What are the key factors that have shaped and influenced Australia–China relations since they were normalised in 1972?
- (2) What are the main challenges that are currently being faced by the Australia–China relationship? and
- (3) How can Australia–China relations be strengthened in the future?

# 1. Key Challenges in the Australia–China Relationship

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The Australia–China diplomatic relationship was formally established in 1972. However, its development over the past 40 years has been very complicated. For the two nations, what are the key challenges in their bilateral relationship? To learn more about this issue, in this paper we analyse the process of the development of this bilateral relationship.

## The Australia–US Alliance

For the past 40 years, the economic development of East Asia has maintained high-speed growth. The rise of East Asia has changed the structure of the Asia–Pacific region, with the region's structural transformations entering a period of particularly fast change in recent times. The United States, the global centre of gravity, is shifting back into the Asia–Pacific region through its return to Asia and to the Pacific, and with the rise of China, the region is undergoing significant change. These developments within the region are influencing the Australia–China relationship.

In the Asia–Pacific region, however, there is the interesting and puzzling phenomenon of a bilateral relationship changing easily into a trilateral relationship. In this trilateral relationship, a small or middle power country relies heavily on China for its trade and economic growth, while it is dependent on the US for its security.<sup>1</sup> Australia is the nation caught in this dilemma. Maintaining its economic relationship with China is very important for Australia, while simultaneously so is maintaining its strategic relationship with the United States as the cornerstone of Australia's foreign and security policies.<sup>2</sup> In other words, keeping an intimate economic relationship with China can assure Australia's prosperity, while its strategic alliance with the US can insure its security.

In the past, Australia was familiar with the countries with which it shared common fundamental values, cultural background, language and historical experience, such as Britain and the US. These countries are still the most important partners to Australia. China, however, is a different type of partner for Australia when compared with those English-speaking countries. China and Australia have so many mutual economic benefits from their relationship. But the cultural links between them are so [little? minimal?], which helps to inspire Australia's ambivalent view about China.<sup>3</sup> On the one hand, the probability of economic prosperity brought by the rise of China drives Australia to develop its relationship with China. On the other hand, Australia worries that China may become a regional hegemonic power that threatens its national security. Therefore, the US and Australia consider they should improve their alliance to deal with the threats. US Defence Secretary Leon Panetta declared he wants to strengthen the US–Australia alliance to make the Asia–Pacific countries understand that the US and Australia will continue to work together to fight against any military threat.<sup>4</sup>

When US President Obama travelled to Australia in November 2011, he reaffirmed and extended the bilateral ANZUS alliance. President Obama and Labor Prime Minister Julia Gillard announced that the US Marines would garrison in northern Australia and increase the rotations of US Air Force planes to upgrade the alliance.<sup>5</sup> President Obama announced that by 2016–17, the US deployment to Darwin will entail 2,500 marines.<sup>6</sup> These actions by the US and Australia make China uncomfortable. Liu Weimin, Chinese Foreign Ministry spokesman, stated in a routine press conference that it was

inappropriate for the US and Australia to strengthen and expand their military alliance in the context of global recession, and it was questionable whether this action was in line with countries in the region and with the international community's common expectation.<sup>7</sup>

Australia understands that supporting the United States in the Asia–Pacific will sometimes cause tension in Australia–China relations. However, if Australia uses a more accommodating attitude to accept China and establishes an intimate relationship with it, this may cause the US anxiety. Therefore for Australia, managing bilateral relations with the United States will affect the Australia–China relationship. In future, how China deals with issues of concern in the South China Sea and Taiwan as China's economic and military strength gradually increases, will influence the development of the China–US relationship. The evolution of the Sino–America relationship will also be an important factor that affecting the Australia–China relationship.

## Human Rights

In recent times, the scale of economic and trade exchanges between Australia and China is expanding. Chinese investment in Australia reached A\$24.4 billion in 2009 and 17.0 billion in 2010.<sup>8</sup> Applications that China approved for foreign investment in Australia totalled \$16.3 billion in 2009–10. This made China the third largest investor in Australia behind the United States and the United Kingdom.<sup>9</sup> However, a close relationship in the cultural and social areas of the bilateral relationship has not yet formed. The considerable difference between the two countries in terms of history, culture, political systems and values has made it impossible for them to reach agreement on some issues.

The Rudd government claimed that Australia would pay more attention to China's human rights record, even if this would damage the two nations' economic and diplomatic goals.<sup>10</sup> He directly mentioned the sensitive issue of Tibet in a speech at Beijing University in early April 2008.<sup>11</sup> He called on China to fully participate in all the institutions of the global rules-based order, including in security, the economy, human rights and the environment, as this was the global community's expectation.<sup>12</sup> The issue of human rights has for some time been the obstacle in Australia–China relations.

In response to the Tiananmen incident in 1989, the Australia government expressed concern in terms of China's human rights, and the Chinese response to the Australian concern shifted the tenor of Australia–China relations to their lowest point in history. From here the issue of human rights became the major obstacle in strengthening the Australia–China relationship. The human rights issue will continue as the major element that influences Australia–China relations since the conception of using human rights to interfere in China's affairs has never disappeared from the minds of Australian politicians.

## Public Opinion

As economic and trade exchanges between Australia and China become more frequent, the links between the public of the two nations also increase extensively. However, their importance is often underestimated. In recent years, communications between the people of the two nations in the areas of education, culture and sport have increased dramatically. Between 2000 and 2010 there was a dramatic increase in the number of Chinese citizens visiting Australia for study, professional activities, business and leisure. This number increased from 120,000 to over 450,000, an increase of over 10 per cent per annum over that period and an increase of nearly 24 per cent in 2010.<sup>13</sup>

However, along with diversification and deepening of the bilateral civil relationship, the differences between the two countries will become more apparent. Because of the different social values and political systems between Australia and China, interactions between individuals and groups may inevitably lead to friction and conflict, especially in sensitive issues such as human rights and democracy. Public opinion on these issues will affect the bilateral relationship since public opinion will directly influence government

foreign policy. An example is the Australian public's fight against the marriage of Rio Tinto and Chinalco in 2009, which damaged the potential of the increasingly important Australia–China relationship and destroyed Australia's image as an investment country in China.<sup>14</sup> Therefore, the Australian government should deal correctly with the mood of the Australian public on foreign investment,<sup>15</sup> or public opinion will have a bad effect on this bilateral relationship. It will be a key factor that influences the Australia–China relationship.

## Conclusion

Although there are challenges in the Australia–China relationship, both sides should continue to develop the relationship towards friendship and cooperation. In my view, Australia should be independent from the United States and make its own policy towards China. We should understand the different values of the two nations. We should not put US values into others' soil. Both sides should respect their differences and try to solve conflicts by dialogue. Public opinion is very important, but a wise government will not be kidnapped by public opinion. Australia's aspirations have changed. Australian policymakers should put national interests first. Australia should learn how to deal with the rising China.

## Notes

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- 2 Martin Parkinson, 'The China Australia relationship: recognizing the challenges, grasping the opportunities', *Australia–China Youth Dialogue*, 14 October 2011, <[http://www.arpc.treasury.gov.au/documents/2190/PDF/Australia\\_China\\_Youth\\_Dialogue.pdf](http://www.arpc.treasury.gov.au/documents/2190/PDF/Australia_China_Youth_Dialogue.pdf)>, p. 3
- 3 Chin Jin, 'China's rise challenges more than economies', 7 March 2012, <<http://www.onlineopinion.com.au/view.asp?article=13342>>.
- 4 Brad Norington, 'US–Australia alliance to remain strong in face of threats, says Defence Secretary Panetta', 16 September 2011, <<http://www.theaustralian.com.au/national-affairs/foreign-affairs/us-australia-alliance-to-remain-strong-in-face-of-future-threats-says-defence-secretary-panetta/story-fn59nm2j-1226138765091>>.
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- 6 Admin, 'Australian Defense Minister said that China would strengthen the Australia–US military alliance is very modest position', China military, 21 November 2011, <<http://www.9abc.net/index.php/archives/69107>>.
- 7 Ibid.
- 8 Ministry of Commerce of the People's Republic of China, <<http://www.mofcom.gov.cn/static/column/gzyb/bolian.html/1>>.
- 9 'Australia and China: a joint report on the bilateral relationship', <[http://ciw.anu.edu.au/joint\\_report/CIWCICIRJointReport-Australia\\_and\\_China-Feb2012.pdf](http://ciw.anu.edu.au/joint_report/CIWCICIRJointReport-Australia_and_China-Feb2012.pdf)>, p. 18.
- 10 <[http://www.usqiaobao.com/2008-04/12/content\\_95744.htm](http://www.usqiaobao.com/2008-04/12/content_95744.htm)>.
- 11 R.W. Chinnery, 'Sino–Australian relations under Rudd and Gillard: a quick glance over the shoulder and peek around the corner', Foreign Affairs and Trade, 27 July 2011, <<http://openforum.com.au/content/sino-australian-relations-under-rudd-and-gillard-quick-glance-over-shoulder-and-peek-around->>.
- 12 Kevin Michael Rudd, Prime Minister of Australia, A conversation with China's youth on the future, 9 April 2008, <[http://www.putclub.com/html/ability/translation/interpretation/exercise/Education/2009/0930/11113\\_6.html#textbody](http://www.putclub.com/html/ability/translation/interpretation/exercise/Education/2009/0930/11113_6.html#textbody)>.
- 13 *Australia and China: a joint report on the bilateral relationship*, p. 22.



- 14 Peter Yuan Cai, 'Chinese media's response to the Rio–Chinalco deal', East Asia Forum, 12 June 2009, <<http://www.eastasiaforum.org/2009/06/12/all-quiet-on-the-eastern-front/>>.
- 15 Peter Drysdale, 'Australia needs to get its act together on China, and fast', East Asia Forum, 7 June 2009, <<http://www.eastasiaforum.org/2009/06/07/australia-needs-to-get-its-act-together-on-china-and-fast/>>.

## 2. The Sino–Australian Relationship: Towards a Brighter Future

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This year is the 40<sup>th</sup> anniversary of the establishment of diplomatic relations between the People's Republic of China and Australia. In 1972 against the backdrop of the Cold War, leaders from the two countries broke through ideological shackles with strategic vision to open a new chapter of bilateral friendly exchange. In Chinese culture, to be 40 years old is to be the 'age without doubts', meaning one's life has entered a mature stage. However, Sino–Australian relations seem far from being 'without doubts'. Since 2009, Chinese commentators have been puzzled by a series of episodes played out in Australia and regarded as unfriendly to China. Observers in Australia have also asked questions about the implications of China's rise for the Asia–Pacific region.

### The Present

In 2007, when a Mandarin-speaking Australian prime minister who is knowledgeable about Chinese culture appeared in Chinese mass media, he quickly gained popularity among the Chinese public – they even felt a kind of pride. To their mind, the changes in western leaders' knowledge of them proved that China's international standing had improved. Chinese policy elites had great hope that the Sino–Australian relationship could become a model for the relationship between China and the West.<sup>1</sup>

However, the honeymoon period was short. Australia's image in China reversed after a series of incidents including the publication of the 2009 Defence Paper, the failure of Chinalco's bid for Rio Tinto, the invitation to Melbourne of the leader of the Uyghur independence movement and so forth. Owing to Chinese media propaganda, the Chinese public were further angered by a perception that Australian mining companies had deliberately increased the price of iron ore, harming China's interests in the process.<sup>2</sup> This sentiment peaked in late 2011 when Australia decided to base American troops in Darwin. This decision was viewed by China as a very unfriendly move. The question from Chinese intellectual elites on Australian foreign policy is why the high level of interdependence of the bilateral economy has not led to a closer political relationship.

Chinese scholars have begun seeking an explanation for problems in the Sino–Australian relationship. Li Shuangwu from the International Department of the Communist Party of China among many others sees contradictory ideology and a bias by westerners as a major cause.<sup>3</sup> Such observers complain that Australia always saw itself as occupying the moral high ground on human rights. Therefore, Australia cannot become China's 'true friend'. What puzzles Chinese commentators is that ideological differences are not new. They have been present for several decades. Even in the first few years of the new century, it seemed that the relationship was more stable than today.

Chinese observers believe the main reason for such differences is the strategic competition between China and the United States. They understand that Australia's strategic partnership with the US is historically informed by and a result of the fragility of its security environment. When the US deployed its strategy to 'return' to the Asia–Pacific, Australia naturally set first priority on the US–Australia alliance. However, Chinese commentators questioned if such a clear strategic choice was necessary, given that China's peaceful rise, they claim, is conducive to the region and brightens Australia's economic future.<sup>4</sup>

## The History

A traditional Chinese proverb states that ‘history is a mirror’. Solution to the problems experienced in current Sino–Australian relations may be found in history. Gough Whitlam is considered the father of the Sino–Australian relationship. His decision in 1971 to visit China as the leader of the Opposition was courageous and farsighted. The coalition government was conducting a ‘hawk’ policy towards China during that period. As a result, China decided to stop importing wheat from Australia and turned to Canada, which had formed a diplomatic relationship with China in 1970. Under pressure from the agricultural sector, the Australian coalition government tried to improve its relationship with China, but made limited progress. This was the driving force behind Whitlam’s visit. An anti-China policy brought no benefit to Australia and only damaged economic interests. This is the first lesson we can learn from history.

Whitlam did not know that Dr Henry Kissinger, then the National Security Advisor of the US president, was also in China at almost the same time. Kissinger’s secret visit and the subsequent joint statement on the US president’s proposed trip to China shocked the world. The US tried to improve its relationship with its previous enemy without prior consultation with any of its allies, while the Australian government still viewed the establishment of diplomatic relations with China as wishful thinking. This is the second lesson we can learn. Loyalty to the US alliance does not mean Australian policy should be bound by its ally’s policy, because the US’s strategy may itself change dramatically.

Regarding the international environment informing the origins of the Sino–Australian relationship, there was a significant difference in ideology between China and Australia during the Cold War period. China’s leftist Cultural Revolution was still in process. Even under these circumstances, the relationship between China and Australia developed quickly. History has shown that ideological difference is not always difficult to overcome. Contemporary China, as compared with the China of that time, is much more liberalised. In contrast to the international situation of the Cold War era, cooperation has become the main theme of world affairs. There is no reason for ideology to impede the relationship between China and Australia at the present time.

## The Future

A reading of history can illuminate the future. The developmental trend of the Sino–Australian relationship is positive. Economic interdependence will deepen further, with resources trade continuing to play the major part. With China restructuring its economy and implementing its ‘going abroad’ strategy, its investment in Australia will increase, especially in resources exploration.<sup>5</sup> Over the past five years, China’s accumulated foreign-directed investment in Australia has reached AU\$60 billion. As Chinese Ambassador Chen Yuming suggests, ‘Australia and China cannot leave each other on economic development’.<sup>6</sup>

Eighteen rounds of negotiation of the ‘Sino–Australian free trade agreement’ have been held. Both parties have the political will to find accord but disagreements still exist on some core areas such as agriculture. However, Australia should realise that with the success of the ‘China–ASEAN Free Trade Area’ and the progress of free trade area negotiations among China, Japan and South Korea, there is a danger of Australia being excluded from the regional economy. Concluding its free trade agreement with China, the largest economy in the region, is the best way for Australia to forge links with East Asia.

Over the next decade, with its increased economic power China will play a more significant role in regional and world affairs, but this does not necessarily mean that China will adopt an aggressive strategy, or that its actions will lead to confrontation with the US. The nature of the competition between China and the US is different from the confrontation between the US and the Soviet Union in the Cold War era. The mutual

interdependence between China and the US makes it too costly for both sides to have a war between the two.

In this context, it is not necessarily the case that Australia has to choose between the US and China. In other words, Australia could maintain its alliance with the US and develop its relationship with China at the same time. Such a strategy is in Australia's interest. Some people may see such a strategy as appeasement to China. If we unemotionally re-examine Australia's past policy, we can clearly see whether Australian pressure on China has any effect on China's behaviour. China's diplomacy is always sensitive to external intervention. Australia needs to consider carefully its approach in order to have a positive influence on China. This follows Deng Xiaoping's strategy for Chinese foreign policy: 'Do not be the head and do not carry the flag'. Part of the reason why Kevin Rudd, viewed as an expert on China, took the Sino–Australian relationship to stalemate in 2009 was because he chose to 'be the head' or 'hold the flag' to criticise China – in his words, to be a 'critical friend'. Therefore, the room to manoeuvre is limited for Australia.

The 40<sup>th</sup> anniversary of the establishment of the diplomatic relationship is an opportunity to advance that relationship. A regular high-level communication mechanism should be built. The current annual strategic dialogue should be expanded to incorporate economic dialogue. Economic issues such as investment and mining trade should be communicated effectively. Negotiations should also be conducted by the foreign minister rather than the vice foreign minister. Military staff should participate in order to strengthen mutual confidence on security issues. An unimpeded channel for dialogue will decrease the possibility for misunderstandings. Such dialogues would not necessarily target specific problems. Cultivating a productive atmosphere and building effective communication channels are equally important.

One argument made by China's leading Australia experts is that Australia has tried to prove its importance to both the West and China by creating frictions.<sup>7</sup> If that is so, Australia has been successful. In China today, there is an increased desire to know about Australia. Previously, Australia was not a significant feature on China's foreign policy horizon. Inadequate intellectual resources are allocated to Australian affairs. Australian studies in Chinese universities focus mainly on cultural and language studies. This is quite different from the situation in Australia where active research on Chinese politics and economy is undertaken. A lack of knowledge can increase opportunities for misunderstanding. The Australian government could increase investment in this area. For example, Australia might finance centres for the study of Australian politics and economy in key universities in China and invite more Chinese scholars to visit Australia.

It is equally important to increase understanding of China among the Australian public, especially for the younger generation. Among Australians, China's image is often negative. This is largely because there are not enough channels for people to get to know the 'real China'. The best method is through cultural exchanges. The year of Chinese culture from 2011 to 2012 was a successful event of this kind. States and major cities should be encouraged to hold cultural events with their Chinese sister provinces and cities in the future. In addition, the government might consider establishing a special foundation for sending the best students from each state to study in Chinese universities. The seeds for friendship should be planted early.

## Notes

- 1 This view was very popular among Chinese scholars and diplomats even in the John Howard period. See S. Shen, 'Hezuo de dianfan' (A Model of Cooperation), 2005, cited 11 April 2012, <<http://www.bjreview.cn/Cn/05-Cn/No19-05/w-1.htm>>.
- 2 'Xinhuanet. Zhongguo jinkou tiekuangshi jiage shangzhang' (The price of China's imports of iron ore will increase), 2005, cited 10 April 2012, <[http://news.xinhuanet.com/fortune/2005-04/02/content\\_2776159.htm](http://news.xinhuanet.com/fortune/2005-04/02/content_2776159.htm)>.

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# 3. Becoming Global Citizens: A Key Challenge for the Australia–China Relationship?

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## Introduction

Developing a common understanding of ‘global citizen’ is a key challenge to the Australia–China relationship. While the term is frequently used in higher education circles, rarely is it conceptualised in any depth, particularly in regard to the future of the Australia–China relationship, a future that holds many possibilities.

Australia and China should strive for a bilateral relationship that maintains our respective national identities, but also fosters reciprocal trust and respect. I believe that developing a mutual understanding of what it means to be a global citizen, in the context of our relationship, will lead to a smoother path into our collaborative future. This paper discusses possibilities we have to develop a mutually beneficial notion of what global citizenship means, within the context of our relationship.

‘Global citizen’ is a complex concept, as is the Australia–China relationship. For the purposes of this paper, I raise the possibility that Australian and Chinese cultures are fundamentally based on similar basic moral virtues. I will discuss briefly how the conflict between neoliberalism and cosmopolitanism influence the interpretation of ‘global citizen’. I also introduce ‘hybridity’ and the ‘social imaginary’ as new terms that can help us engage with globalisation and are fundamental to our understanding of the global citizen. I hope that by raising these issues Australia and China are able to create a deeper, respectful and mutual understanding of our relationship.

## Identifying Our Commonalities

There are many interpretations of ‘global citizen’ in the literature. However, there is certainly no common understanding of what this concept means in the context of our bilateral relationship. Academically, we need to address this conceptual gap. From the most fundamental perspective and to a novice in Chinese culture, Confucian virtues seem to resonate well with the Eurocentric values of the global citizen. The Confucian five virtues of *ren* (benevolence, charity, mercy), *yi* (honesty, uprightness and reciprocity), *zhi* (wisdom, knowledge), *xin* (faithfulness and integrity) and *li* (politeness, tact), appear to be consistent with the attributes of the global citizen. While much of our relationship is most frequently interpreted through a neoliberal lens of finance and trade, I believe that our common values should be viewed through a complementary lens of moral cosmopolitanism, which is consistent with the global citizen concept. The future holds great challenge and potential for us to balance these conflicting paradigms.

To help understand how European and Australian specialists in international education conceive a global citizen, I interviewed 26 informants. The qualities they most commonly identified with a global citizen are openness, tolerance, cultural humility, responsibility and respect for self, others and the planet. In the context of my research, these attributes comprise the moral reasoning and sensitivity of the global citizen. However, there is a need for us to debate if Confucian and global citizen virtues actually hold different meanings to different people in different situations, within our bilateral

relationship. This is an ‘unknown’ and a key challenge for our relationship. I therefore suggest that this topic is an excellent research agenda for the future. Will our common understanding of the global citizen be limited to an economic model based narrowly on commercial engagement? Or can we strive to imagine the possibilities for a socially and culturally richer model of the global citizen to nurture a sustainable and meaningful relationship between our nations and our peoples.

Globalisation has impacted on Australian and Chinese societies and individuals in many ways, both different and similar. Common experiences we share include the rise in capitalist worldwide trade, expanding empires, religious conflicts, terrorism and war, the emergence of human rights, and philosophical emphasis on human reason. Other common issues include climate change, migration, nuclear proliferation, poverty, growing inequalities, chronic financial volatility, cyber attacks and political instability. All of these issues interact through a myriad of ways, influencing our common economies and lives. Our common humanity and our intersecting histories beckon us to develop our relationships beyond the challenges and perceived dichotomies posed by the Australia–China and Australia–US relationships.

### Understanding the ‘Social Imaginary’

Globalisation is bringing into the English language new terms useful for describing the dynamics of the changing global order. Appadurai discussed the essential role of the imagination, beyond mere fantasy.<sup>1</sup> He argued that the imagination has become an organised field of social practice and is key to engaging in a globalised world. The imagination is the mediator of reason in the individual’s ability for ‘sense making’ in particular situations, enabling them to construct and consider the possibilities. In our bilateral relationship, Australian and Chinese people need to engage with each other and imagine the possibilities of a common future and how to ‘seek harmony from our differences’.

The social imaginary provides a way to deal with the unstructured, complex, empirical and emotional aspects of our existence and can be a way of thinking that makes collective understanding possible.<sup>2</sup> The social imaginary enables us to become global citizens. It enables individuals and groups to engage in complexity and uncertainty with an open mind, to imagine how what is ‘known’ might be ‘different’.<sup>3</sup> Rather than considering globalisation as a threat to *‘danwei’* or the collective spirit of Chinese culture, the social imaginary provides new possibilities for our collective relationship.

Through our collective social imaginary, we can learn from each other. The social imaginary enables us to open our minds, to function effectively and embrace complex situations and ambiguity. Rather than clinging to previous perceptions of fixed intercultural relationships, we have the ability to engage in ‘imaginings’ for new relationships that are mutually, responsive, relational and reflexive. This is what it will mean for us to ‘become global citizens’.

### Understanding Our Identity and Sense of Belonging

We must also understand our identity in a global world. Globalisation has provided a springboard for us to hold multiple alliances involving rights and responsibilities across transnational spaces and providing us with multiple identities.<sup>4</sup> No longer are we solely tied to notions of national citizenship. While we are very proud of our respective nations, we are inextricably linked through global economic, social and political networks. These interconnections can be challenging to our identity for many reasons. Our identity is confronted across territorial, cultural, religious and ethnic borders requiring us to participate in multiple spaces in many ways. We hold multiple links, affiliations, rights and responsibilities across the globe. Importantly though, the global citizen does not represent rejection of patriotism or ideas of world government but offers new possibilities for identity and belonging.<sup>5</sup>

Hybridity is another English term now used in the globalisation discourse. It captures the complex notions of identity and belonging created by globalisation. It characterises intersecting social and cultural histories and the social existence of multiple belongings.<sup>6</sup> Our hybridised identity enables greater imaginings and understanding of global flows of ideas, images and cultures. Rather than clinging to the known and ‘the way things have always been’ our hybridity and imagination allow us to reflect, absorb and reject global influences, to become global citizens.

Hybridity and the social imagination are rarely considered in higher education. Potentially, however, there is much to be gained by linking the global citizen, hybridity and the social imagination to curricula. Observers have argued that education is central to developing global citizens. It plays an essential role in developing our imagination, criticality and moral reasoning and sensitivity.<sup>7</sup> We need to nurture and support collaborative research by Australians and Chinese to explore and understand these social constructs of globalisation within the context of our bilateral relationship.

## Conclusion

Public discourse, pedagogical links and research on moral issues associated with the global citizen are surprisingly rare. I believe that identifying the commonality between the Confucian and global citizen values holds great potential for our relationship. Rather than viewing our relationship through a neoliberal lens, we have the opportunity to consider the more cosmopolitan possibilities that are common to us and to expand our notion of our identity as global citizens within our relationship. We should ensure that graduates emerging from our universities understand their rights and responsibilities and our intersecting histories. We should also ensure they can engage in the social imaginary, understand hybridity, and know their rights and responsibilities as national and global citizens within the Australia–China relationship.

## Notes

- 1 A. Appadurai, *Modernity at Large (Vol. 1)*, (Minneapolis: University of Minneapolis Press, 1996), p. 36.
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## 4. Key challenges in the Australia–China relationship

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Since the establishment of diplomatic relations between Australia and the People's Republic of China in 1972, the Australia–China relationship has been based upon a 'pragmatic' political approach underpinned by economic complementarity.<sup>1</sup> Australia possesses most of the raw materials China relies on for its continued pace of economic growth, and China manufactures most of the goods demanded at low prices by Australian consumers.<sup>2</sup> In 2010, China accounted for 19 per cent of Australia's total two way trade – by far our largest trade partner.<sup>3</sup>

The economic relationship between the two countries is reflected in an increasingly strong knowledge and understanding of China in the Australian business community. This situation however, belies a challenge to the future evolution of the Australia–China relationship. Many of the key obstacles to a closer and more durable relationship between our countries are not related to economic ties. There are three fundamental challenges in the relationship:

- (1) Australian concerns regarding political freedoms and human rights issues in China;
- (2) Australia's defence alliance with the United States and a concept of China as a threat;
- (3) the lack of a formula culturally acceptable to both nations for engaging on the above issues.

The first two challenges are well known and widely discussed. While business relations between Australia and China have flourished in the 40 years since establishing diplomatic ties, at the level of wider public opinion, unease has continued over sustained reports of political repression and human rights abuses perpetrated by the Chinese state. These issues include repression of Chinese dissidents and religious groups such as Falung Gong, media censorship and curtailment of rights to assemble and protest, and ongoing issues regarding Tibet.

These issues are complex, and not at all black and white. Chinese authorities regard Western criticism of human rights issues as interference in their internal affairs, and question the ability of states such as Australia or the US to lecture China on human rights issues. Australian participation in the 'war on terror', an illegal invasion and occupation of Iraq, the treatment of refugees and asylum seekers, not to mention aboriginal populations are legitimate causes to question Australia's human rights record internationally.

Sensitivity towards external criticism of China's domestic affairs also occurs against the background of a historical legacy of interference and occupation by European powers – what Chinese commentators have labelled the 'century of shame'. Of course, this is not to suggest that inside China there is no significant criticism regarding the protection of human rights.

Media bias and misrepresentation of violent incidents and human rights abuses in China are also serious issues to contend with. Many of the reported incidents that fuel outrage in Australia and internationally are condemned within China as exaggeration or outright fabrication by media organisations alleged to be fundamentally biased against the Chinese government.

While this view is partly driven by a mix of spin and propaganda from Beijing that is common to many governments, and compounded by censorship in China of international news media, we should also take this allegation seriously. A case for us to reflect upon in Australia is the reporting of attacks on Indian students in Melbourne in 2009–10, which proved so damaging for Australia’s reputation. Much of the reporting within tabloid Indian news sources was inaccurate, sensationalised and uninformed to the point of being all but divorced from reality. Readers far removed from a situation have little cause to question media reporting or believe that allegations of bias have any weight. Having said this, the protection of human rights in China remains a primary issue of concern for many in the Australian public when they consider Australia’s relations with China. In 2011, 58 per cent of Australians surveyed in a Lowy Institute poll believed Australia is not doing enough to pressure China to improve human rights.<sup>4</sup>

To a large extent, this indicates that the Australian Federal government’s mechanism to raise human rights issues with China – the confidential Human Rights Dialogue coupled with the Technical Cooperation Program, while acting well to manage state to state relations, simply does not satisfy the Australian public’s concerns on this issue. Nor does it address concerns expressed by the Chinese public over what it sees as unfair and distorted views regarding human rights in China within the Australian media.

The challenge, then, is to continue to develop forms of interaction that enable dialogue on human rights issues at a much broader societal base than current mechanisms of engagement allow. To a large extent the existing bilateral dialogue is moving in precisely this direction, if slowly. [I don’t have any particularly clever ideas on how to enable this engagement to take place more effectively, but promoting more effective mutual engagement through informed bilateral dialogue requires both sides to work collaboratively and we should embrace the challenge in a spirit of cooperation. The second challenge in the relationship is the current formulation of the US–Australia military alliance. Australia’s relationship with the United States has been exceedingly strong since World War II. A significant component of this relationship is made up by a direct military alliance. Over the past decade, Australia has participated in US led wars in Afghanistan and Iraq, and is likely to interpret the ANZUS treaty as implying Australian support for any potential to contribute to US support for Taiwan in any military confrontation with China.

Having positive and strong relations with another state should [never be a negative thing. However a problem here is that particularly as the US recasts its military focus on the Asia–Pacific region, there are few logical targets for a US–Australia military alliance other than China. Identification of China as a threat underlies a range of issues in the Australia–China relationship, including sensitivities regarding Chinese investment in Australia, and the recent exclusion of the global technology company Huawei from the national broadband network tender process due to security concerns.

The situation described above presents a fundamental challenge to deepening relations between our countries. While Australia regards China as a threat, it is difficult to argue that Australia should not strengthen and expand its defence relationship with the US. Yet equally, the more Australia’s defence relationship with the US is strengthened, the more China will have to fear from the defence relationship. After all, neither Australia nor the US is surrounded by the military forces of other states. Military and strategic dialogues between Australia and China are well established and hopefully act to defuse the more dangerous consequences of this dynamic of mutually perceived threat and competition. However at a popular level, the issue is stark. A 2011 Lowy Institute Poll found that 87 per cent of Australians believe ‘China and the United States are likely to come into conflict in future and Australia will end up being drawn into the conflict through its alliance with United States’, and 78 per cent of Australians believe that ‘China’s recent actions have been assertive and suggest it is going to be a military aggressive power’.<sup>5</sup> [It is unsurprising in this context that Chinese investment or Chinese companies will not be truly welcomed by mainstream Australia, although investment certainly is within state

and federal government circles, and widespread sections of the business community. I am uncertain what the Chinese public or policymakers think of this situation, or to what degree they are aware of Australian sentiments on these concerns. But a nation state which sees you as a threat and goes about deepening its military alliance with a powerful strategic competitor is deeply worrying (or at least we can imagine this may be the case from a Chinese perspective).

It is very difficult to see how China and Australia can enjoy true cooperation while Australia enjoys a defence alliance with the US centred so strongly on China as a potential threat. China is not a passive element in this equation. Its actions and words can act to lower or heighten Australian perceptions that China is a threat. On the other hand, if Australian words and actions are locked within the paradigm of the US–Australia defence alliance, Australia may find it difficult to fully reciprocate to Chinese initiatives.

These core challenges of the Australia–China relationship give rise to another concern that may indeed be the first and primary challenge: developing mutually acceptable ways to allow direct engagement between each society regarding fundamental but sensitive issues – whether they relate to human rights or defence relationships. On an interstate level, Canberra and Beijing appear to do quite a good job of managing the relationship and the potential issues of concern. But without broader societal engagement and understanding, the entire relationship is constantly threatened by the passions of each society over controversial flashpoint issues. This dynamic will only increase as Chinese nationalism grows in line with growing Chinese economic and military power, and that same growth in power increases the fear present in Australia that stems from a perception that China is a threat and that its government does not uphold basic freedoms.

Responding effectively to this challenge may partly entail overcoming cultural barriers. Different people have different ways of raising controversial issues and responding to criticism. In addition, all people appear to have issues relating to their own conduct or deeply held values which they are uncomfortable exposing to scrutiny. The better we are at opening our own values and conduct to scrutiny and self reflection, the better we will be able to engage with others. This task is precisely what the current dialogue seeks to achieve, and it is our great challenge to enable this on a far broader level between (and within) Australia and China.

## Notes

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# 5. Building Strategic Mutual Trust: An Essential Approach to a Better Future for the Sino–Australia Relationship

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## Background

Almost 40 years has passed since the establishment of formal diplomatic relationship between the Commonwealth of Australia and the People's Republic of China. The relationship has grown considerably over the decades. Both nations are actively engaged in cooperation in various fields, especially economic exchanges.

By 2011, China was Australia's biggest trading partner, particularly through China's strong demand for iron ore, coal and liquefied natural gas.<sup>1</sup> Due to the large demand from China's development of infrastructure, Australia was one of the few countries in the world that did not fall into economic recession but experienced remarkable economic growth during the global financial crisis.<sup>2</sup> Correspondingly, China maintained its rapid development to some extent because of Australia's uninterrupted supply of minerals and energy. It is estimated that in 2009, trade and investment with China brought benefits worth almost \$4,000 to every Australian household, and the figure is predicted to be \$10,500 per household per year in 2011.<sup>3</sup>

In early 2011, there were over 126,000 Chinese students in Australia, comprising 26 per cent of the total number of foreign students, and in September 2011, there were 150,000 Chinese students studying at Australia tertiary institutions.<sup>4</sup> This huge number of cultural and educational exchanges has considerably developed the bilateral relationship.

However, there are still many troubles that block the way for both nations in moving towards a better political relationship. For instance, under the previous Howard government, Australia appeared reluctant to pursue closer political connections with China and maintained the role that as US President George W. Bush controversially dubbed 'America's Deputy' in the Asia–Pacific region. The issues of Tibet and human rights have long been tinderboxes that led to deterioration of the bilateral relationship. As Australian prime ministers, John Howard and Kevin Rudd both experienced official protests and criticism from China in response to what the Chinese saw as inappropriate comments.<sup>5</sup> Prime Minister Gillard is maintaining security ties with the United States based on shared values. Gillard and Obama's action to deploy US Marines in Australia has been firmly criticised and viewed with strong suspicion by China.

China is emerging as a political and economic superpower in the Asia–Pacific region and Beijing is becoming more and more interested in taking on the dominant role in this region. As a traditional US ally in Asia, Australia has security arrangements with the United States but growing economic ties with China. Both China and Australia need some important adjustments of their policies to maintain peace and prosperity and to shape a better future.

## Why the Strategic Mutual Trust is Crucial to Future?

In the near future, the bilateral relationship will definitely experience a series of clashes in fields such as trade, human rights, problems with minorities and national security as economic and cultural exchanges grow rapidly. A particular risk is that too many clashes may arouse formal discontent or even rivalry between the two nations. Moreover, the possibility of confrontation between China and the US in the South China Sea and western Pacific appears to be growing. Australia will face a huge and dangerous burden related to the US–Sino relationship. Unless Australia and China nurture strategic mutual trust, those clashes may bring unpredictable risks and even damage the bilateral relationship and national security.

Why is strategic mutual trust crucial for both sides? According to neurological and psychological research, 'witnessing a person from our own group or an outsider suffering from pain causes neural responses in two very different zones of the brain'.<sup>6</sup> Without a sense of being related, people will still be in favour of 'us' but will discriminate against 'them' when exposed to conflicts of interest or different ideologies and sensibilities.

That understanding provides a suitable theory for international relations. Political leaders and people from different nations and cultures often underestimate the importance of creating a sense of interrelationship in dealing with international affairs. They often focus only on aligning common points in business for making profits in the commercial field, and tend to expect their middle assistants (such as the Australian diplomats in China and their Chinese counterparts in Australia) to solve problems case by case and reduce loss at the tactical level when troubles appear, for example, in cases like the arrest of an Australian executive of Rio Tinto, Stern Hu, by China in July 2009.<sup>7</sup> This approach tends to reduce the more serious sources of conflict to issues of operational management. Although the result maybe satisfying, it will not lead to development and accumulation of trust in each other at the strategic level. That is why those misunderstandings and differences of values and thoughts still exist; there has been no substantial change in sharing sensibilities. If the political elites instead focus on the deep roots of divisions and struggle to pave various ways to build strategic mutual trust, the potential risks of occasional clashes will be minimised.

## How to Build Strategic Mutual Trust?

In any relationship, trust is built over time. Considering the differences between the two nations' political systems, cultures, traditions, values and priorities, building mutual trust at the strategic level is likely to be so difficult that it requires extreme care and attention. It will be a long-term task and a process full of both development and retrogression. Three factors in particular will be required – clarity of intention in the security realm, standardisation of actions in the commercial field, and embracing of diversity and exploration of its potential with shared sensibilities.

According to the classical realists of world politics, military/political security is the foremost concern of any nation. Although China and Australia have been actively engaged in some global and regional organisations such as APEC, the East Asia Summit and the G20, both nations still have deep concerns and fears about each other's security strategy. Prime Minister Gillard has stated that Australia will continue to maintain security ties with the United States based on shared values.<sup>8</sup> As Chinese perceive that the US and Australia are trying to encircle China, they have strongly criticised Gillard and Obama's action to deploy US troops in Australia. They have viewed the move with suspicion and questioned why Australia would want to alienate its largest trading partner and peaceful neighbour. On the other hand, China's aggressive attitude in the South China Sea conflict and its secret arms expansion have shaped Australia's doubts about China's ambition to establish hegemony in East Pacific, which have helped to foster Australia's perception of the need to reinforce its military alliance with the US. Once

both sides clearly put forward their intentions in the security realm, the danger of an increasingly serious bilateral security dilemma will be alleviated markedly.

Since the arrest of Stern Hu in July 2009, Sino–Australian commercial relations have experienced a difficult journey, and high profile comments from the leaders of both nations have made the situation deteriorate further.<sup>9</sup><sup>10</sup> Following this incident, Rio Tinto was accused by China’s Department of State Security of being involved in espionage. On the other side, some international media speculated that Hu’s case was a retaliation action by the Chinese government for the failure of the Chinese state-owned company CHINALCO in its bid for a higher stake in Rio Tinto. Such events were generally considered the lowest points in Sino–Australian relations over the past few years. Indeed, those commercial conflicts were individual cases and should not cause too much damage to the bilateral relationship. However, recognition that China and Australia have different systems of law and commercial regulations made both sides consider each other’s actions as possibly illegal and political. If the corresponding government in each country could launch certain joint projects and dialogues to negotiate, jointly discuss each other’s intentions, and establish a regime of standard behaviours in the commercial field, then both sides would have a much better understanding of each side’s short and long-term economic interests instead of escalating business disputes to the political level.

Perhaps the most serious obstacle to building strategic mutual trust between China and Australia is the two nations’ lack of shared values and sensibilities. China has stated repeatedly its preference to maintain political stability and ensure sustained growth of the domestic economy. Chinese leaders see Australia’s concerns about human rights in China as rude interventions in China’s internal affairs and humiliating to the Chinese government and the Chinese people. Beijing’s decision in February 2012 to veto the UN Security Council Resolution on Syria reflected the primacy of sovereignty in Chinese politics. However, Beijing’s decision triggered conflict with the western world including Australia. To the western world, brutal suppression in the Syrian province of Homs was absolutely unacceptable for the protection of human rights of the Syrian people and promoting democracy was of much greater value than other goals. *The Sydney Morning Herald* reported that Prime Minister Gillard was very disappointed to see China’s action and criticised China’s failure to uphold its international responsibilities.<sup>10</sup> Yet to both nations, keeping peace and avoiding violent competition in the Asia–Pacific region is an overwhelming strategic goal to which they must both pay full attention. Hence, it is possible that China and Australia will embrace their diversities and explore potential mutual benefits with shared sensibilities. The leaders can create an atmosphere in which differences and frictions are replaced by mutual respect, as both sides focus on ways to reconcile rather than eliminate these differences.

## Conclusion

After 40 years’ of mutual communication, China and Australia have already experienced and learned so much from each other. Yet their bilateral relationship still faces some essential obstacles. In this new era, many changes in the characteristics of the two nations and in the greater strategic environment in which all nations interrelate call for new ideas and new policies. While economic relations between China and Australia have increased significantly for the benefit of both nations, as a crucial middle-power country with growing economic ties with China, Australia is facing China’s emergence as a remarkable political and economic power in the Asia–Pacific region. Both nations have a chance to reset their relations and to begin a new and cooperative mutual engagement by building strategic mutual trust and becoming partners that offer each other understanding and respect to sustain this valuable relationship.

## Notes

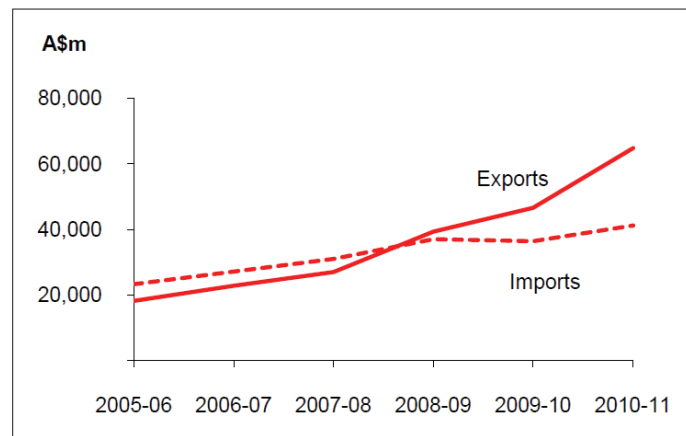
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# 6. Protectionism: A Key Challenge for Economic Cooperation between China and Australia

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## Introduction

The year 2012 is the 40<sup>th</sup> anniversary of China–Australia diplomatic relations. Over the past 40 years, bilateral economic relations have developed rapidly. China has become Australia’s largest trading partner and export market with total trade (exports and imports) valued at A\$105,945 million in 2011, an increase of 27.8 per cent over the previous year according to Australian government statistics (Figure 1). In the meantime, Australia became China’s 14<sup>th</sup> principal export destination and 6<sup>th</sup> largest source of imports.



Source: Australian Embassy Website, China, <<http://www.dfat.gov.au/geo/fs/chin.pdf>>. Accessed 4 March 2012.

Figure 1: Australia’s merchandise trade with China

Besides these dramatic achievements in economic relations, there are still many challenges that the two countries are destined to face. Since outbreak of the financial crisis of 2008 and the European sovereign debt crisis of 2010, the danger of an upsurge in protectionist sentiment is not confined to Europe and America but is spreading worldwide. This is true for China and Australia. Considering the current state of the world economy and the stage of economic cooperation between these two countries, protectionism, especially through non-tariff barriers, will become the main challenge for bilateral economic relations in the future.

## Definition and Forms of Protectionism

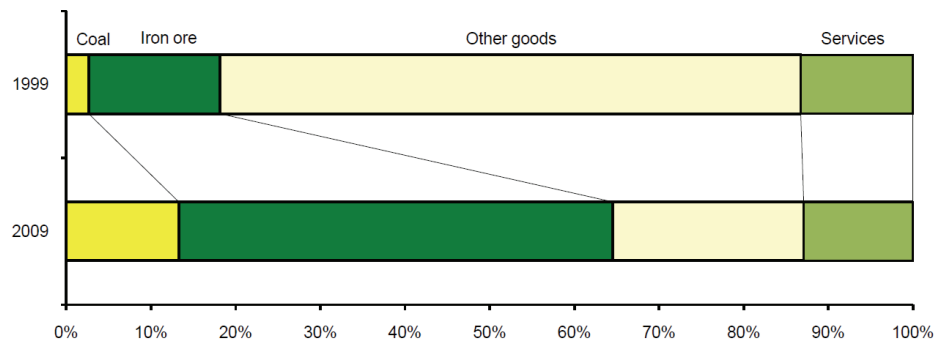
Protectionism is the economic policy of restraining trade between states through methods such as tariffs on imported goods, restrictive quotas, and a variety of other government regulations designed to protect goods and services produced domestically.<sup>1</sup>



Methods of protectionism can be divided into tariff barriers and non-tariff barriers. Tariffs are the most obvious trade barrier imposed on imported goods. Non-tariff barriers are government-induced restrictions other than tariffs, such as import licenses, export licenses, import quotas, subsidies, voluntary export restraints, local content requirements, embargos, and currency devaluation. Since the successful transition of the GATT into the WTO brought important changes to the international economic environment in the 1990s, tariffs have been restricted severely among WTO members. In lieu, some new non-tariff measures, such as green barriers, technical barriers and anti-dumping are becoming emerging policy tools for trade restriction.

### Trade Protection in Bilateral Economic Relations

China has become Australia's biggest trading partner, accounting for nearly one fifth of the goods Australia trades,<sup>2</sup> due to China's strong demand for Australia's iron ore, coal and liquefied natural gas (Figure 2). Australia has also become one of China's most important trade partners, importing clothing, telecommunication equipment and components, computers, toys, sporting equipment and many other manufactured goods from China.



Source: Australia's coal and iron ore exports 1999 to 2009, Department of Foreign Affairs and Trade, Australian Government, <<http://www.dfat.gov.au/publications/stats-pubs/australias-coal-and-iron-ore-exports-2001-to-2011.pdf>>.

Figure 2: Composition of Australia's exports to China

China exported labour intensive products to Australia and Australia exported resource products, cotton and other crops to China. This trade flow has developed a strong economic complementarity between these trade partners. With the development of economic globalisation and continuous deepening of Sino-Australian cooperation, tariffs have been lowered considerably. Today non-tariff barriers such as subsidies and green barriers are becoming the main restriction to this bilateral economic relationship.

#### Subsidies

A subsidy is a form of assistance that a government pays to a business or economic sector as support. Most subsidies are made directly to producers or are distributed as subventions in an industry to prevent either the decline of that industry or an increase in the prices of its products, or simply to encourage it to hire more labour.<sup>3</sup>

China and Australia both have government subsidy policies. Since reform and opening up, China has gradually established a socialist market economic system. This system is a combination of market economy and state-controlled economy, with more emphasis on the role of government. The Chinese government provided superabundant subsidies to domestic companies in sectors such as energy and transport. Similarly, the Australian government provided subsidies to electricity production, and to production and consumption of fossil fuel. Excessive subsidy policies not only cause protectionism, but

also influence development of the domestic economy. In China–Australia trade relations, subsidies also became a barrier in negotiating the bilateral free trade agreement.

#### *Green barriers*

Environmental regulations and product safety standards may vary from country to country. If regulations are set arbitrarily, they can be used as an excuse for protectionism and green barriers will be set up. Nowadays, green barriers have become a new kind of trade barrier with a background of international environmental protection and trade protection. They are the main restriction on China's agricultural exports to Australia. Let us take apples as an example of China's agricultural exports to Australia.

In 2001, China's General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ) requested market access to Australia for fresh apples. Agriculture Fisheries and Forestry Biosecurity Department of Australia announced formal commencement of an import risk analysis (IRA) under the regulated IRA process to consider a proposal from China to import fresh apples until 2008. The report listed more than 60 kinds of pests that are considered to be associated with apple production in China. China's AQSIQ considered that by overestimating the risk of Chinese pests, the IRA report did not present the real situation. Australia's AQIS also set out specific conditions limiting fresh apple imports from China, such as 'All cultivars of fresh apple fruit are permitted and can only be grown and packed in the following regions/provinces in China: Hebei, Shandong, Shaanxi and Shanxi'.<sup>4</sup> So far China and Australia have not reached an agreement on Australia importing fresh apples from China, which has disrupted the normal and orderly growth of bilateral trade in food.

Because of the large gap between China and Australia in environmental standards and some defects in legal clauses, green barriers will lead to trade frictions in bilateral economic relations. China and Australia should both shoulder the responsibility to push forward the two country's economic development, boycott global trade protectionism and eliminate trade barriers.

#### **Solutions**

In order to eliminate non-tariff barriers, China and Australia should harmonise uniform rules or adopt the same standards in the field of the environment and trade, technology transfer, an intellectual property protection capacity, and other aspects under the same framework. The same work could be applied to establishing the China–Australia FTA.

The China–Australia FTA is the best measure to prevent the rise of trade protectionism and eliminate trade barriers. Free trade is a policy by which a government does not discriminate against or interfere with exports from other countries by applying tariffs, subsidies or other non-tariff barriers. The goals of free trade are to create a level playing field to promote the free movement of capital and goods so the benefits of comparative advantage can be pursued by both nations.

Though the first round of China–Australia FTA negotiations began in May 2005, implementation has been slow. Australia and China each have two key objectives underlying the negotiation process. At the forefront of Australia's agenda is the reduction of tariffs and protectionist measures at China's end. The second key objective is to make the Chinese markets more accessible. Comparatively, China hopes to gain international credibility and resource security from successfully completing an FTA with Australia.<sup>5</sup> In the negotiation process, China may be reluctant to concede ground regarding its agriculture and banking sectors and similarly Australia may be tentative in committing to any acceleration in reducing protectionist measures. The FTA between China and Australia can be expected soon.

## Summary

In the past 40 years, bilateral economic relations have developed rapidly between China and Australia. However protectionism, especially non-tariff barriers, will become a tough challenge for these economic relations. Finalising the China–Australia FTA and creating a uniform set of standards applying to both nations are essential for settling differences that may impede further development of these mutually beneficial economic relations.

## Notes

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# 7. Changing World, Rising Asia: Challenges in the China–Australia Relationship

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The year 2012 witnesses the 40<sup>th</sup> anniversary of diplomatic relations between the People's Republic of China and Australia. Over the past four decades, both countries have expanded their engagement in the Asia–Pacific, and both have a common interest in the region's ongoing development. Bilateral trade has grown dramatically, since China and Australia share strong and growing economic complementarities. Two-way investment links are an increasingly prominent element of this relationship.<sup>1</sup> Cultural exchanges have also picked up rapidly, while people-to-people links are increasing at an unprecedented rate. All of these linkages have accelerated in the past decade, at a time when the focus of global economic, strategic, political and military influences is also shifting to this part of the world, the Asia–Pacific.

Although the China–Australia relationship has been growing in complexity and prominence, it follows a well worn path. I will, in the following discussion, address two critical issues that may affect this relationship respectively.

## Relevance of the US to Australian Policy Toward China

China's rise, particularly its economic growth, has drawn the attention of the entire world since at least the 1990s. Since China will exert more influence in the Asia–Pacific region, some may argue that this will undoubtedly result in a diminution of US influence.<sup>2</sup> What, then, does this have to do with Australia? Australia's economic relationship with China is crucial to the strength of the Australian economy, while its strategic relationship with the United States is at the heart of its overall approach to foreign and security policy.<sup>3</sup> Consequently, how China and the United States interact with each other in the future is of fundamental importance to Australia, and how Australia manages its bilateral relationships with both of these world powers matters very much.

From an Australian perspective, it has to strike a balance between China and the US, with a soft balancing method preferred. Of course, in a situation where there is no inevitable confrontation between the US and China, there is no reason why Australia could not maintain satisfying relations with these two countries simultaneously. However, a soft balancing approach might, under some circumstances, mean some downgrading of relations with the US if Australia sees that accommodation with China is necessary. Likewise, there might be some occasions where Australia is pressured to support the US, thus leading to relative deterioration of its relationship with China. Thailand and Malaysia have already dabbled in developing closer relations with China, as they become uncertain about their ties to the United States.<sup>4</sup>

It is worth noting that while Australia needs to discern the US attitude towards Australia's China policies, the US's own policies toward China have not been fixed over the past decades, and the relationship between the US and China is not always one of rivalry. The US has, in different ways, acknowledged China's increasing power in the region and beyond. And China and the US are no less interdependent economically than China and Australia.<sup>5</sup> Moreover, in some parts of Asia, the US has to seek China's help to

deal with tensions like those in North Korea.<sup>6</sup> Hence, we certainly see that while various tensions are continuing, significant elements of cooperation also need to be factored in when Australia considers the US attitude toward Australia's choice of policies in relation to China.

Of course whatever approach Australia may take, it will pay necessary attention to a course that generally follows US policies in the Asia–Pacific and beyond. Yet the way in which it does so could vary. Placing a strong emphasis on the US relationship does not necessarily mean Australia should follow US China strategies in every instance. Just as Prime Minister Julia Gillard observed in Seoul, 'We can have our strong, long-standing friendship and alliance with the United States, based as it is on shared values, as well as have a positive and constructive relationship with China'.<sup>7</sup> But how to blend or mix these two relationships into its foreign policies remains quite a significant issue.

### **The Need to Deepen Mutual Trust and Cooperation**

China and Australia have to frankly acknowledge the realities of their different histories, political systems and strategic interests. Here there is potential for tension that each country will need to work on carefully if both are to manage their relationship effectively.<sup>8</sup> Now that the two countries are dealing with each other more closely than ever, those differences are much more noticeable and closely scrutinised than they were in the past. It is thus not surprising that such issues as the Australian Defence White Paper,<sup>9</sup> Chinese foreign investment like Hua Wei technologies,<sup>10</sup> and Australia's comments on human rights issues in China,<sup>11</sup> have been strikingly controversial. A strong commitment to manage such difficulties calmly and appropriately will certainly require deeper knowledge and understanding of each other; deeper knowledge is a precondition for deeper understanding, which is in turn a precondition for further trust between these partners.

It is not only the bilateral economic relationship that needs the two countries to deepen mutual trust and cooperation. The emerging Asia–Pacific community requires such an approach as well. China should not be regarded as a threat within the region and China's rise should not be overstressed. As far as the shifting power balance is concerned, both China and Australia should re-calibrate their involvement in the region so as to be more aware of other countries that are also rising, like South Korea, Vietnam, Thailand, Indonesia, Singapore, Malaysia and the Philippines.<sup>12</sup> Facing the challenges of a concert of Asian powers needs us to put more emphasis on the rise of Asia more generally, not on China exclusively.<sup>13</sup> And the impact of self-strengthening strategies on a range of states in the region, and the way in which regional middle powers have behaved, should not be underestimated.<sup>14</sup> Therefore, it is necessary for China and Australia to cooperate to achieve a sound, stable and secure environment in the region.

### **Conclusion**

The world is changing. Some theories claim that power is shifting away from the US and the North Atlantic region towards Asia. Other theories claim that the US alliance 'will move from being a cornerstone of Australia's international policies to being a major supporting beam'.<sup>15</sup> No matter which is the case, there will be tensions and difficulties from time to time. It is important that both nations recognise there are some areas where they should just simply agree to disagree. Yet when it comes to other areas, we must have mutual trust in place to help minimise or address concerns about each other to help ensure they don't impinge on the development of this strong overall relationship. Like so much in life, it is not what happens but how we respond to what happens that matters.

## Notes

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