Cellist Jian Wang performing with the Sydney Symphony Orchestra.

Credit: Sydney Symphony Orchestra.
INTRODUCTION

This country strategy takes forward the objective of the *Australia in the Asian Century* White Paper: for Australia to build stronger and more comprehensive relationships with countries across the region. Because of their size, economic links with Australia, and strategic and political influence in the region and globally, China, India, Indonesia, Japan and South Korea were identified as the initial priority countries for the development of country strategies.

Each strategy outlines a vision of where Australia’s relationship with the country should be in 2025 and how we, the Australian community, intend to get there. The strategies identify opportunities for community, business and government to participate in and contribute to the process of deepening and strengthening our regional engagement. They reflect the views of Australians, collected during nationwide consultations, and in doing so continue the national conversation initiated by the White Paper, to better identify whole-of-Australia objectives and priorities for the Asian century.

These are challenges for all of us.

Consultations to develop this strategy were held from 4 April to 31 May 2013. During this period, Australian Government officials led by the Department of Foreign Affairs and Trade undertook face-to-face consultations in each state and territory capital. Officials met all state and territory governments and engaged with business representatives, the community and academic stakeholders. Consultations were also held overseas and in regional Australia. In all, 1,300 Australians attended meetings, roundtables and ‘town hall’-style public forums. The Government also received over 250 formal written submissions.

This strategy will be tabled in Parliament and regularly evaluated and updated.

The Government extends its deep appreciation to all who participated in developing these strategies, and will continue to draw on the views expressed in Australia’s ongoing engagement with these countries.

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Front cover images


Top right: The Sydney Symphony 2012 China Tour, courtesy of the Sydney Symphony.

Bottom left: The Wujin Lotus Conference Centre designed by Australian Architecture and design firm Studio 505, courtesy of Studio 505.

Bottom right: A school group viewing an exhibition at the 7th Asia Pacific Triennial of Contemporary Art at the Queensland Gallery of Modern Art, courtesy of the Queensland Gallery of Modern Art.
CHINA: WHY IT MATTERS

Facts: China is Australia’s:

- Largest trading partner: two-way flow of goods and services worth over $125 billion in 2012
- Second-largest source of skilled migrants: 10,000 skilled migrants in the year to February 2013
- Largest source country of international students: almost 120,000 Chinese students in Australia in 2012

China’s income per capita


China’s share of world gross domestic product (GDP)

China’s rise to the top of the global economic and political order is defining the 21st century. By 2025, China is set to be the world’s largest economy. The Chinese economy’s size and scale, combined with robust growth, will consistently make China the largest contributor to global and Asian economic growth leading up to 2025.

How China manages its transformation from export- and investment-led development to a consumption and innovation-driven economy will determine the shape of the global economic system in the coming decades.

China’s economic reforms will bring further urbanisation and the emergence of the world’s single largest middle class. By 2030, 70 per cent of Chinese people will be living in cities. New cities will emerge and current second- and third-tier urban centres will expand. Urbanisation will spread further west and inland, creating new and larger economic hubs in China’s interior.

China’s consumer market is set to become the world’s second largest by 2015. Growth in discretionary incomes will lead to surging demand for financial, legal and health services, and higher-quality food, consumer goods and entertainment.

Economic expansion and urbanisation will further strain China’s environment, infrastructure, energy, food security and education system. The aged will account for a large and growing share of the total population, which will test China’s health and aged-care services.

China is emerging as one of the largest exporters of capital, with growing investment interests in Australia, Africa, Latin America, Asia and the Pacific.

“Urbanisation in China is one of the two most important factors that will shape the world’s development in the 21st century.”


Australia and China:

In 2013 agreed on new bilateral architecture, with regular high-level contact including an annual leaders-level dialogue to provide strategic direction to the relationship and to deal with differences as they arise. Are working together to advance regional and global prosperity including through the East Asia Summit, G20 and APEC.

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China’s urbanisation

![Urbanisation Chart](chart.png)

*Source: World Urbanisation Prospects UN (2011 revision).*
China’s economic transformation is changing the regional strategic balance and is a major contributor to global strategic weight shifting to the Indo-Pacific region. China’s defence capabilities are growing and its military is modernising, changing the balance of military power in the region.

China’s transition to a new economic paradigm will require skills, knowledge and creativity. From 1998 to 2012, the number of Chinese university graduates increased from less than 1 million to nearly 7 million per year. The majority of graduates are in the science, technology and engineering fields, in line with demand from China’s manufacturing sector and the new innovation-led economy.

China is on its way to becoming a research and innovation powerhouse. In 2011, its investment in research and development (R&D) grew 23 per cent to US$139 billion, making China the world’s second-largest investor in R&D after the United States. While the scale and pace of change is spectacular – and China’s global standing in individual education and research areas is increasingly world-class – structural and access issues remain, and China is yet to realise the full potential of its innovation system.

Growing demand for education, along with rising incomes and globalisation, makes China the largest global source of migrants and international students. Chinese students account for 20 per cent of all international students enrolled in the Organisation for Economic Co-operation and Development (OECD) area, making them the single largest cohort of mobile students in the developed world’s education systems.

China is also the main source of overseas academic talent in the West. Chinese students and researchers often seek residency abroad after completing their studies or academic tenure. But the dynamics of the worldwide Chinese diaspora show that even if its nationals reside permanently overseas, they maintain close professional and personal links with China. This creates knowledge networks that connect them with global research, technology and innovation centres.

China’s social foundations are also changing dramatically. Its population is ageing rapidly, and rural-to-urban migration and labour mobility are altering traditional family and community relations. Exposure to global cultural currents is changing established conventions at home, in workplaces and in broader society.

The strictly controlled traditional media in China coexist with a diverse and vibrant social media scene. While still closely regulated, social media gives voice to some 500 million ‘netizens’ who regularly set the tone of national social and cultural debates, despite evidence of tightening censorship.

Yet, China’s transformation is far from over. The trajectory and impact of China’s rise and how it will engage internationally will have a profound impact on the world in the coming century.

The growth of China’s middle class is expected to increase private consumption in China from around US$2 trillion in 2010 to US$4.8 trillion by 2015.

Source: Economic Intelligence Unit, 2011
The Australia-China relationship is a story of complementarity and shared interests, despite our different political, historical and social traditions. Built by successive generations of Australian and Chinese entrepreneurs, educators, students, policy-makers, community leaders and artists, the relationship is based on a mutual desire to deepen our economic, political, cultural and social connectivity in the dynamic global landscape.

The path of our engagement – from the interactions of Australia’s first settlers from Europe and China in the 19th century to the wide-ranging partnership Australia and China enjoy today – shows that this story has deep historical foundations, but also a long way to run.

Our relationship is growing at an unprecedented pace and new opportunities for engagement continue to emerge. China is now Australia’s largest two-way trading partner and an increasingly important source of investment. Australian businesses are building strong working relationships and creating economic opportunities for Australian and Chinese communities.

Our knowledge, community and cultural links are also growing. China is Australia’s largest source of international students and second-largest source of overseas tourists, overtaking the United Kingdom in 2012. Chinese is the most widely spoken foreign language in Australia. The large Chinese diaspora in Australia plays an important role in facilitating business, cultural and education connections, while bringing an understanding of China to Australian communities.

Australia will require vision, innovative thinking and commitment to harness opportunities and manage the complexities of our bilateral relationship.

VISION 2025: CHINA AND AUSTRALIA

Australia’s vision is to deepen and broaden our partnership with China across the economy, governments and communities.
As we move towards 2025, Australia will strive to enhance its knowledge of China across the government, business, education and community sectors. We will utilise more fully the innovative and entrepreneurial drive of Australians working with China, whose successes are our national assets. We will aim to be competitive and responsive to opportunities in building our knowledge and cultural links with China.

Australia will work persistently with China to open markets and minimise impediments to trade. Our business communities will build a better understanding of each other, which in turn will reduce the intangible but real obstacles of misinformation and negative perceptions. Australia’s trade and investment relationship with China will be broader and more diverse.

Our partnership with China will enable our leaders and governments at all levels to interact more regularly and effectively on issues that will define our shared future. China and Australia want to achieve strong, sustainable and balanced global economic growth. As China’s international economic influence continues to grow, Australia’s interactions with China in forums such as the G20 will become increasingly important. We will also intensify global and regional engagement with China to achieve collective prosperity and peace based on rules-based order.

Realising this vision will require commitment and effort from all Australians. Our strategy is a collective plan to advance our partnership with China. It sets out integrated pathways for our communities, businesses and governments to achieve our common objective of a deeper and broader relationship with China.
CONNECTING COMMUNITIES:
WHAT WE ARE DOING

Australia’s connections with China are driven by our communities, through education, cultural exchanges, migration and tourism. The relationship is further strengthened by the daily interactions between Australian and Chinese familial, institutional and social networks. Australia’s ability to build on these links in a meaningful and strategic way will determine our success in the Asian century.

China literacy

Australia has a depth of knowledge about China across our schools, universities, businesses, governments and communities. Successive Australian governments have made China literacy one of the key strategic priorities of education reforms. The work done in implementing the recommendations of the *Australia in the Asian Century* White Paper has brought a renewed focus on the study of five priority Asian languages: Chinese (Mandarin), Hindi, Indonesian, Japanese and Korean.

We also have a number of world-class university centres specialising in Chinese studies. Their expertise in China-relevant education, research, and industry and community engagement will increase in importance as our links with China grow.

UNDERSTANDING
ENGAGING CHINA PROJECT

The Engaging China Project is an exciting new initiative by the Australia-China Youth Association. It is making a practical and meaningful impact on the way Australian school students view China, its language and culture. The program sends Australian university students and graduates with experience learning the Chinese language and living in China to schools across Australia. They inspire, motivate and mentor school students to learn Chinese language and to engage with China in creative ways across the Australian curriculum.

Engaging China Project Ambassadors have experienced firsthand the opportunities that engaging with China opens up for young people. They tell real stories about what it’s like to start ‘the China journey’ in a language that appeals to school students, and make learning about China real, personal and ‘cool’.

Education and mobility

Australia and China have a comprehensive education partnership. It is based on 40 years of education exchanges, the complementarity of our education systems, the mobility of Australian and Chinese students and academics, and strong education policy foundations.

Australia has benefited from its reputation as a high-quality, English-speaking, higher education destination. Some 12.5 per cent of all Chinese tertiary students abroad are being educated in Australia, making us the third-largest overseas study destination for Chinese students, behind the United States (24.7 per cent) and Japan (13 per cent). China is Australia’s largest source of international students.

Australia’s vast and growing network of alumni in China plays a vital role in deepening the connections between our countries across the business, government, civil society and education sectors. The majority of alumni maintain close ties with Australia, which actively contributes to the strength and diversity of our bilateral engagement with China.

A network of more than 30 Australian Studies Centres in universities across China, supported by the Australia-China Council, also signifies an enduring interest in Australia, and provides a platform for better mutual understanding and closer educational and cultural ties.

Research and innovation

While student mobility is a foundation of Australia’s education and research relationship with China, our innovation partnership is its new frontier. Australia’s early investment in research infrastructure and engagement with China has positioned Australia to be a preferred research partner. Both countries face policy challenges in environment, agriculture, health and ageing, and economic development, which are reflected in joint research agendas. China is now Australia’s third-largest joint publications partner, and Australia is China’s sixth-largest. Between 1996 and 2009, joint publications between Australia and China grew twentyfold, rising from 114 to 2,295 and overtaking China’s publications with France, Italy and South Korea.

By 2030, as many as 300 million Chinese people will have moved from the countryside to join the 600 million already living in cities.

In response to the opportunities and challenges created by this mass migration, the University of South Australia (UniSA) and China’s Tianjin University have announced a $2 million partnership to develop advanced research and expertise in sustainable urban development.

The China-Australia Centre for Sustainable Urban Development was launched at UniSA in February 2013. Opening the Centre, UniSA Vice Chancellor and President Professor David Lloyd said the partnership would build research capacity in a field that is both environmentally and regionally significant.

“Reports have shown that improvements in waste management, transport infrastructure, and building design and planning, offer by far the biggest potential for cost-effective greenhouse gas reductions. With the world’s largest population, these are core issues for China. For Australia, as one of the highest greenhouse gas emitters per capita, sustainability is vital.”

UniSA Vice-Chancellor Professor David Lloyd and Tianjin University President Professor Lijiajun plant a crab apple tree during the launch of the China-Australia Centre for Sustainable Urban Development.

Credit: University of South Australia.
Cultural and artistic engagement

The Chinese and Australian art communities are progressively more connected. In the past five years, almost all leading Australian cultural institutions have established Chinese art programs or collaborations. The Sydney, Darwin, Adelaide and Melbourne Festivals – and the Sydney Biennale – have incorporated regular feature performances and exhibitions by Chinese artists. The Sydney Symphony Orchestra regularly tours China, and has established innovative partnering programs with the National Centre for the Performing Arts in Beijing, and the Xinghai Conservatory of Music in Guangzhou.

Imagine Australia: The Year of Australian Culture in China was the largest cultural program Australia has presented in China. Led by the Australia International Cultural Council in 2010–11, it showcased the diversity and ingenuity of Australia’s creative sector. The following year, Experience China: The Year of Chinese Culture in Australia brought a program of traditional and contemporary performances and exhibitions across Australia, generating renewed interest in Chinese art.

INDIGENOUS ART

‘OUR LAND, OUR BODY’

In 2011, the Warburton community brought ‘Our Land, Our Body: Masterworks from the Warburton Collection’ to seven major museums in Eastern China, to great acclaim. The exhibition was one of the key events of the ‘Imagine Australia: The Year of Australian Culture in China’ held in 2010–11.

The exhibition was staged by the Warburton Arts Project, a community-based arts and culture organisation located between Western Australia’s Gibson and Great Victoria deserts about 1,500 kilometres from Perth.

‘Our Land, Our Body’ is the largest exhibition of Indigenous art to tour China to date. Following a highly successful debut at the Shanghai Art Museum, where some 85,000 visitors viewed the exhibition, it was seen by more than 260,000 people in eastern China.

The exhibition ignited substantial interest in Australian Indigenous art among Chinese art experts and the general public. Building on this success, the Warburton community has again brought the exhibition to China, opening in Dongguan Museum in June 2013, followed by exhibitions at a further seven museums across southern and western China.


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Community, migration and mobility

Australia’s nearly 900,000-strong Chinese community is one of the largest and fastest growing ethnic groups in Australia. Australia has greatly benefited from the contributions of Australians of Chinese descent, such as Dr John Yu AC, former Chief Executive Officer of the Children’s Hospital at Westmead and Chairman of the Australia-China Council; John So, former Lord Mayor of Melbourne; Marita Cheng, 2012 Young Australian of the Year; and Dr Victor Peter Chang AC, a pioneer of modern heart transplants.

In 2011, China-born migrants living in Australia comprised 6.5 per cent of Australia’s overseas-born population and 1.8 per cent of its total population, representing the third-largest migrant group after the United Kingdom and New Zealand. Chinese Australians in our major and regional cities are at the core of business and cultural networks. They participate in family, social, business and institutional networks linking Australia with China and the rest of the world. They facilitate trade, share information, promote cultural awareness and are increasingly active in Australian political life.

Intensified travel in both directions by tourists and students will result in more extensive personal links, increased understanding and greater mutual interest between the two countries at the community level.

In 2013, the NSW Police Force launched two new social media sites for the state’s international students to get advice about safety.

Targeting the 150,000 international students studying in NSW, the Facebook and Weibo pages aim to inform students how to stay safe and to reinforce that the Police Force is there to protect them and their families.

Weibo is the Chinese equivalent of Twitter, with over 300 million users in China and some 500,000 users in Australia. The Weibo page was established to communicate to the State’s large Chinese student community in their native language.

Safety messages are posted regularly on the Weibo site, and the NSW Police Force hopes this communication will help develop a closer bond between police and the Chinese community in NSW.

Visit http://e.weibo.com/nswpoliceforce.
CONNECTING COMMUNITIES: WHAT WE NEED TO DO

Integrating China literacy in the education system

Australia is making progress in understanding China and speaking its language, but we still have a long way to go. Nationally, only 3 per cent of Year 12 students study Chinese and 94 per cent of these are native or near-native speaking Chinese Australians. Similarly, the study of Chinese and China at a university level has not increased in proportion with the expansion of our economic and educational connections. Australian society broadly understands the urgency to develop a future generation of China-literate Australians who will lead the bilateral engagement in the coming decades. The challenge is to make this happen.

In the school sector, the new Australian Curriculum: Languages – Chinese will enable school students to learn Chinese in line with comparable achievement standards, and focus on both cultural awareness and communicative language use.

The Australian community, education institutions, and state and territory governments have developed a range of solutions to boost China literacy and capabilities. These include the Building Relationships through Intercultural Dialogue and Growing Engagement (BRIDGE) program, the Engaging China Project and the Hamer Scholarships. These programs will increase the number of young Australians taking up Chinese studies across all levels of the education system.

The centres of expertise on China in our universities will expand their teaching and research by offering China-related degrees and individual subjects.

Promoting new areas of engagement

The Australia-China Council will continue to establish national partnerships between government, business, community and education institutions to facilitate interest in China in Australia; promote new areas of economic, cultural and education engagement; and facilitate greater mobility between Australian and Chinese professionals. The Council will strengthen the network of Australian Studies Centres in China to boost teaching and research about Australia in China’s higher education system.

Based on current trends, by 2025 China will become Australia’s dominant source country of skilled and business migration, as well as tourist travel, which will further enrich social, cultural and business ties between our people.
To capitalise on these connections, Australia will develop policies and programs to realise the potential of the Chinese diaspora and migrant networks, and to build and sustain links between China and Australia.

Youth initiatives such as the Australia-China Youth Dialogue and Australia-China Young Professionals Initiative will connect future champions of the bilateral relationship, and increase the flow of ideas and people between our countries.

Australians will have a better understanding of China’s political, economic and cultural life through our media’s more extensive and in-depth coverage of China.

The Australia Broadcasting Corporation’s integrated media service – delivered through the Australia Network, Radio Australia, and online and social media platforms – will increase Chinese audiences’ exposure to Australian news, documentaries, cultural and education programs.

Diversify knowledge partnerships

To strengthen our knowledge partnership with China, Australia needs a fresh vision and entrepreneurial drive that takes into account global competition; more and better educational institutions in China; and further investment in our own infrastructure and resources.

Bilateral education ties will be tested by multiple forces, such as the cost and quality of Australian education, new policies by competitors, changes in migration pathways, the expansion of Chinese institutions, and the emergence of foreign universities’ offshore campuses in China.

The Australian education sector will sustain a steady growth in inbound Chinese students but will need to increase enrolments in postgraduate and research degrees. More Australian institutions will establish transnational partnerships in China to meet local demand for quality education and training.

Australia will also need to increase the flow of Australian students to China. In 2011, 3,370 Australian students undertook award and non-award study at Chinese higher education institutions and this number is growing. However, to succeed in our engagement with China, we will require knowledge and skills that can only be gained through extensive periods of in-country study and work.

The new government-funded mobility grants program – AsiaBound – will enhance student mobility from Australia to China, and complement programs such as the Australia Awards Endeavour Scholarships and Fellowships, and OS-HELP. Australian students will also benefit from the growth in private sector scholarships. Our education institutions will expand the variety and accessibility of flexible short- and long-term mobility programs to further facilitate the flow of Australian students to China.

Research partner of choice

Australia will continue to be a partner of choice for China in research, scientific and skills development collaborations supported by bilateral partnerships between governments, academies and institutions. To maintain its competitive advantage, Australia needs to further invest in its research capabilities and make more use of its mobile academic workforce, including Chinese Australian researchers. We should also focus on areas where Australian expertise is globally competitive and has the potential to make an impact in China, such as medical and health sciences, energy, agriculture and environmental science.

New Industry Innovation Precincts and initiatives such as Venture Australia will enable our research institutions and business communities to connect with China’s markets and capital to develop joint commercialisation projects.

Kathy Li, a participant in the CSIRO summer student scholarships.

Credit: Commonwealth Scientific and Industrial Research Organisation.
Fostering cultural partnerships

China is becoming a major global art hub, both in terms of renewed interest in Chinese art and culture, and in the intensity and scale of art exchanges with the rest of the world. This presents creative development and economic opportunities for Australian artists and cultural industries. It also means Australia will have to compete with the world’s leading museums, performing arts companies, theatres and operas for Chinese audiences and partnerships. We will need to expand the willingness and capacity of our cultural institutions and individual artists to work with Chinese partners, audiences and government cultural bodies, to deepen our artistic exchanges.

Collaborations and joint productions between Australian and Chinese artists and institutions will intensify across a variety of art forms, boosted by the Creative Australia cultural policy and the Australia Council’s new Creative Partnerships with Asia program. A better understanding of the opportunities and complexities of artistic collaboration with China – and a willingness to go beyond the traditional hubs of Beijing and Shanghai into China’s thriving second- and third-tier centres – will enable our creative sectors to stay ahead in China’s increasingly competitive cultural landscape.
CONNECTING COMMUNITIES: PATHWAYS TO 2025

By 2025 Australia will integrate China literacy in our education system; diversify and expand our knowledge and cultural partnerships with China; and develop new pathways of engagement.

Reflecting public submissions and consultations, Australia will work to:

-China Literacy-
- Engage with state and territory governments to embed China literacy in the Australian education system and creative sectors.
- Widen access to the study of Chinese language, society and culture.
- Promote broader and more diverse cultural and artistic ties with China.
- Develop China-literate Australian leaders and specialists with the linguistic, professional and cultural capabilities to drive our engagement with China.

-Knowledge Partnerships-
- Establish a diverse network of competitive knowledge partnerships with China across the education, research, arts and community sectors, to deliver significant social, cultural and economic benefits to Australia.
- Develop a new national strategy for international education that will support a high-quality, sustainable and vibrant international education sector, equipped to meet the challenges and opportunities of the changing education environment in China and globally.

-Entrepreneurship-
- Develop policies and programs to support Australian education, cultural and community institutions in their engagement with China.
- Draw more actively and consistently on entrepreneurial, China-literate and creative Australians to identify and develop new areas of engagement.
CONNECTING BUSINESS: WHAT WE ARE DOING

Australia’s and China’s trade and investment partnership is a story of complementary interests, and more than half a century of vision and entrepreneurship on both sides. But in a globally connected market where our competitors are promoting their credentials to China, Australia needs to find ways to stand out from the crowd.

Bilateral trade in goods and services

In 2011, HSBC estimated that China’s economic growth would help drive a 7 per cent increase in Australian exports to China each year between 2012 and 2016. Australia’s resources sector has been a standout performer in our trade relationship with China. Minerals and energy contributed more than 85 per cent of our exports to China in recent years.

Resources will continue to make up the bulk of exports to China. At the same time, as the Chinese economy slows to a more sustainable growth rate, the Australian resource production stream will peak, and the prices we have been receiving for our resource exports will moderate.

SURGING DEMAND FOR AUSTRALIAN BEEF

China’s burgeoning middle class is fuelling demand for high-quality, protein-rich food. The Australian beef industry has benefited greatly from this increase in demand.

China’s imports of Australian boxed beef began surging in the last quarter of 2012, and continued to increase throughout early 2013. China is now Australia’s fourth-largest beef export market, behind Japan, the United States and the South Korea.

In the first four months of 2013 alone, China imported more than 35,000 tonnes of Australian boxed beef, almost 15 times more than in the same period a year earlier. Market analysts expect demand to exceed 100,000 tonnes in the 2013 calendar year. The potential for further growth is significant, with some of China’s largest meat producers, processors and distributors actively seeking additional supply of Australian beef for Chinese supermarkets and restaurants.

The recent surge in demand will be partly met by the registration of a further 32 Australian meat establishments for export to China, including cold-storage and meat-processing facilities. This will help overcome a bottleneck in the beef trade with China, and set Australia on course to maximise the growth in Chinese demand.

A herd of Brahman cattle in outback Queensland.
Credit: Commonwealth of Australia.
Australia will continue to diversify its commercial relationship with China to manage this transition. By 2025, Australian agriculture and high-technology products will account for a larger share of our exports to China.

Australian companies are also positioning themselves to benefit from China's rapidly expanding services markets. In 2012, Australia's total services exports to China were worth $5.7 billion, led by tourism and education services.

China is Australia's second-largest and fastest growing inbound tourism market, and our top-ranked market for international tourism expenditure, worth $4.2 billion in 2012. China also accounted for 29 per cent of all international student enrolments in Australia in 2012. This growth has helped to position China as Australia's ninth-largest market for international aviation services, but by 2025 it could be our largest.

Australia continues to perform strongly in other services areas. The liberalisation of China's financial markets opens up new opportunities for Australia's banks, fund and asset-management-providers, and legal firms. Australia's legal-services exports to China and Hong Kong reached $100 million in 2011. In 2012, one of Australia's top-tier law firms, Mallesons Stephen Jacques, capitalised on this growth through its alliance with Chinese firm King & Wood to create one of the biggest law firms in Asia.

Since the commencement of direct trade between the Australian dollar and the Chinese renminbi in April 2013, trading volumes have more than doubled and continue to grow strongly.

Australia also exports many niche and high-tech products to China, such as specialised asthma medication, marine transport for China's burgeoning leisure industry, and environmental technologies to clean up China's waterways.

The Welcoming Chinese Visitors program is a joint initiative between industry and governments to help Australian businesses better prepare for the Chinese tourism boom. The program focuses on two main outcomes:

1. Enhance the service delivery of tourism, hospitality and retail products in Australia, through Chinese cultural awareness training.

2. Provide operators with the skills and knowledge to sell their products through the Chinese tourism distribution system.

AVANA – a registered training organisation specialising in the tourism, hospitality and retail sectors – formed a consortium with the Australian Tourism Export Council, China Ready & Accredited, and TAFE NSW's Western Sydney Institute to train Australian businesses to be China-ready.

Since the program was launched in early 2013, more than 1,200 people have been trained in 22 locations around Australia.

Urbanisation is boosting Chinese demand for infrastructure expertise and opening up opportunities for Australian businesses, particularly in the structural engineering, architecture and design sectors, with exports in architects' plans likely to grow 25 per cent annually over the next five years. For example, the Australian firm Hassell is China's largest foreign multidisciplinary design practice, with more than 250 employees across five locations in China.

**Investment**

According to the National Bureau of Statistics of China, Australia was the largest single destination for Chinese outbound direct investment, with annual investment totalling close to $3.1 billion in 2011. Much of this has been in the resources sector. Towards 2025, investment will increasingly be directed into supporting infrastructure: the ports, rail, energy, and other utilities required for resource development in Australia.

Australia and China are natural partners for collaboration in agribusiness. The *Feeding the Future* study, jointly released by Australia and China in 2012, provides a practical platform to strengthen investment and technological cooperation in agriculture. Chinese investment in the Australian agriculture sector – including in the grains, sugar, crops, dairy and horticulture industries – reflects demand for higher-quality food and China's concerns about food security.

Australia's investment in China remains at low levels, reflecting regulatory and other barriers, and a cautious business approach. Nonetheless, Australian firms are actively pursuing investment opportunities in the construction of toll roads; water- and waste-treatment plants; airports and ports; hydroelectric, wind and nuclear power plants; and energy-efficient systems such as smart meters.

**RISK MANAGEMENT**

As part of implementing the *Australia in the Asian Century* White Paper, the Australian Government is partnering with major law firms and peak industry bodies – including Australian Chambers of Commerce in China and the Australia China Business Council – to minimise the severity and frequency of Australia-China commercial disputes.

The majority of Australian companies doing business in China do so without significant problems. But like all cross-border commercial activities, the benefits of doing business in China also come with considerable risks.

Launched in April 2013, the Doing Business in China commercial disputes initiative seeks to inform Australian companies about the risks of doing business in China, and how to manage those risks.

Doug Jones AO, Partner at Clayton Utz and President of the Australian Centre for International Commercial Arbitration, said: “This is a very positive initiative, designed to help iron out potential impediments to business, and ensure our business and consumer links remain positive.”

The initiative involves reaching out to Australian companies through business events, workshops and seminars, and will be followed by best-practice guidelines to guide dispute resolution.

The Australia-China resource partnership has moved from relying solely on trade in resources to focusing more on direct investment in projects. Relationships initially built on trade have given Chinese organisations the confidence to make significant offshore investments in Australia. Given the infrastructure deficit in Australia’s regional communities, there are significant development opportunities for Chinese investors.

The Australia-China Business Council is working with many regional stakeholders as they reach out to Chinese investors. The Pilbara Cities initiative – supported by the Western Australian Government and managed by the Minister for Regional Development Brendan Grylls – provides a great opportunity for corporate engagement with the resource-rich communities of the Pilbara region. The Pilbara Cities vision is to build the populations of Karratha and Port Hedland into cities of 50,000 people, and Newman to 15,000 people, by 2035.
Build a China-capable workforce

Australia and China are forging diverse business relationships in a wider variety of industries. Despite growing commercial ties, Australian businesses face significant challenges in developing China-relevant capabilities.

By 2025, Australian businesses will benefit from further integration of Asia literacy into the Australian education system. The Australian business community will meet demand for a China-literate workforce by tapping into the local labour pool, including the growing number of China-ready graduates and the Chinese diaspora in Australia.

Alliances between Australian education institutions and the business community – and innovative recruitment, work placement and internship models – will make China-related careers more attractive to Australian students.

Develop business networks

The Australian business community will also work to strengthen the capabilities of China-focused peak bodies, such as the Australia China Business Council and Australian Chambers of Commerce in China. This will develop new knowledge networks to share information about doing business in China, and help new firms to enter and succeed in the Chinese market.

In addition, Australian companies will develop new business models and more comprehensive networks within China, helping them navigate the complex Chinese business environment.
Improve mutual understanding of business practices

Australia would do more business with China if both countries could overcome negative perceptions and a lack of understanding of market dynamics, business practices and regulatory regimes.

Ongoing dialogue between Australian and Chinese businesses, governments and communities will help alleviate these concerns. Initiatives such as the CEO Roundtable – an annual business dialogue coordinated by the Business Council of Australia and the China Development Bank – are helping dispel misconceptions and build confidence in both markets and regulatory environments.

By 2025, Australian and Chinese business communities will have a strong understanding of each other’s markets, regulatory environments and cultural conventions, which will reduce misperceptions and intensify commercial activities.

Business organisations – such as the Australia China Business Council, Business Council of Australia and Australian Chambers of Commerce in China – will develop comprehensive information-sharing, member assistance and advocacy strategies to reduce the costs and risks for Australian businesses to operate in China. The Foreign Investment Review Board will continue to communicate Australia’s foreign investment screening requirements, including through regular visits to China.

Austrade is helping Australian businesses create better brand awareness and forge more effective networks with Chinese businesses. Australian products and services will have better recognition and visibility in China owing to their high quality and competitive pricing. They will also be supported by Austrade’s Australia Unlimited and Future Unlimited branding initiatives.

Reduce barriers to trade

Many Australian exports attract high tariffs in China, which is a significant impediment to trade. Australian firms also face market-access barriers and an evolving regulatory system in China, including in the agriculture, insurance, banking and retail sectors. Over time, China’s further integration into the global economic system will break down many of these barriers.

By 2025, a comprehensive free trade agreement with China would deliver significant market access for Australian businesses and further facilitate Chinese investment in Australia. However, Australian companies should not wait until an agreement is in place to pursue trade and investment opportunities with China.

Promote greater cooperation

Australia will also continue to work with China to encourage greater regional economic and financial integration through the Regional Comprehensive Economic Partnership negotiations, and other forums such as the East Asia Summit (EAS), Asia-Pacific Economic Cooperation (APEC) and the G20.

Towards 2025, China will be a significant investor in Australia. Chinese investment will increasingly move into joint ventures to develop supporting infrastructure, such as tourism facilities, ports, railways, and energy and other utilities.
Diversify exports

Australia’s competitive strengths in agriculture, service, and niche and high-tech products will underpin a more diverse trade and investment relationship towards 2025.

Australia and China will increase agriculture investment and trade links. Agribusinesses in both countries will benefit from agricultural cooperation projects, the commercialisation of technologies, and improved food production and processing.

The $28.5 million Asian Food Markets Research Fund under the new National Food Plan will boost our collaborative partnerships in agriculture. Implementing the recommendations of the Feeding the Future study will also enable closer investment and scientific engagement between major Australian and Chinese agricultural regions. The longstanding Australia-China Agricultural Cooperation Agreement will be expanded, to improve market access and strengthen ties between Chinese and Australian agribusiness and scientific organisations.

By 2025, Australia-China trade in services will be a driving force in our economic partnership. Australian services trade will involve a greater number of small and medium enterprises, including specialist sectors such as healthcare, financial services, design and renewable energy. The recent commencement of direct trading between the Australian dollar and the Chinese renminbi will prompt Australian banks to develop new business lines and provide an enhanced suite of services to clients working in and with China.
CONNECTING BUSINESS: PATHWAYS TO 2025

By 2025, Australia will build a stronger and more diverse trade and investment partnership with China, based on our competitive strengths and a China-capable workforce.

Reflecting public consultations and submissions, Australia will work to:

CAPABILITIES

• Develop world-class China business capabilities by working closely with the education sector to increase the number of China-literate graduates, and forging deeper connections with the Chinese business community.

• Strengthen the capabilities of China-focused peak bodies to develop new knowledge networks, to share information about doing business in China.

RISK MANAGEMENT

• Foster the Australian and Chinese business communities’ understanding of each other’s markets, regulatory environments and cultural conventions, to reduce risks and increase business activity.

OPEN MARKETS

• Facilitate better access to China’s market, by concluding a free trade agreement with China.

• Diversify Australia’s trade and investment relationship with China, building on our competitive strengths in agriculture and services.
Leadership and government links

The dialogue between Australian and Chinese leaders has grown in regularity and depth since Australia established diplomatic ties with the People's Republic of China in 1972. It is a testament to the strength and resilience of our relationship.

The strategic partnership between Australia and China, agreed to in 2013, marked another milestone in our engagement. Both countries agreed to formalise an annual leaders' dialogue between the Australian Prime Minister and the Chinese Premier; an annual Foreign and Strategic Dialogue between foreign ministers; and an annual Economic Cooperation Dialogue between Australia’s Treasurer and Trade Minister, and the head of China’s National Development and Reform Commission. Australia and China also hold annual ministerial-level dialogues on climate change.

Regular high-level visits underscore the dynamism of our bilateral relationship. In 2012, nine Australian Cabinet ministers visited China. Five high-level Chinese leaders have visited Australia since 2009, including former Vice President (now President) Xi Jinping and former Vice Premier (now Premier) Li Keqiang.

Australia and China currently have 83 sister-city connections

Source: Department of Foreign Affairs and Trade

CONNECTING GOVERNMENTS: WHAT WE ARE DOING

As Australia’s economic, political and strategic interests increasingly intersect with China’s, our government links are becoming broader and more multilayered. Australia’s federal, state and local governments are engaging more with China – through bilateral and regional trade negotiations, multilateral forums, and commercial and cultural alliances. As our region emerges as a centre of global strategic and economic activity, these links will become more critical at all levels of government.

RELATIONSHIPS
CITY OF DARWIN SISTER-CITY PROGRAM

In 1990, the City of Darwin established a sister-city program with Haikou City in China. It is one of the City of Darwin’s three sister cities located in the Asia region.

A sister-city student exchange program started in 1992 with two students from Darwin visiting Haikou to study. The exchange program became fully reciprocal in 1993 when five Haikou students came to Darwin for 12 months.

Through the community’s generosity, they stayed with host families and began studying at Darwin High School. Two students completed advanced English studies at the Charles Darwin University. To date, 17 Darwin students have benefited from studies in Haikou, and 18 Haikou students have been involved in the reciprocal exchange program.

Australia Week in China is a campaign to promote Australian tourism, trade and investment opportunities to the Chinese market. Australia Week in China will be based in Shanghai, China’s commercial and financial capital. The Australian Government will seek to partner with the private sector and state and territory governments on the campaign.

Australia Week in China will boost Australia’s reputation as an ideal business destination, and a valuable tourism, trade and investment partner. It will support Australian exports and attract foreign investment, including in the tourism, innovation, clean energy and infrastructure sectors.

Australia Week in China will be held in the second half of 2014.


In addition to these high-level political connections, Australia and China share an extensive network of dialogue mechanisms covering most of our shared interests. These include ministerial and official-level talks on strategic, trade, economic, environment, agriculture and consular matters. Almost all Australian Government agencies have dedicated teams working on China. Many of the Australian Government’s policy and service delivery agencies have staff posted in our diplomatic missions in China.

Australia’s state and territory governments are actively pursuing ties with China. Most are implementing comprehensive China strategies aimed at increasing investment, trade, tourism, cultural and education links.

Australia and China have more than 80 sister-city and sister-state relationships – an effective platform for state and local governments to take forward their relationships with China’s regional and urban centres.

Australia’s network in China

Australia’s diplomatic network in China, already one of Australia’s most extensive, is growing. We are opening a new consulate in Chengdu – in China’s dynamic western region – which will complement our embassy in Beijing, and our consulates in Shanghai, Guangzhou and Hong Kong. We committed to opening a consulate in Shenyang in China’s northeast when circumstances allow, to represent Australia’s growing business and consular interests in northeast China. Complementing the diplomatic network are 14 Austrade offices across greater China, helping Australian businesses develop markets, and promoting Australia as an investment, tourism and education destination.

All state and territory governments have a growing presence in China. Tourism Australia has offices in Beijing, Chengdu, Guangzhou, Hong Kong and Shanghai, to promote Australia as a tourist destination.

Showcasing Australia

Australia Week in China

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Shanghai – China’s commercial and financial centre – will play host to Australia Week in China in 2014.

Working together

Australia and China seek to advance prosperity, peace and stability in Asia and beyond. We work closely in the United Nations, the EAS and other multilateral institutions. We also have significant common interests in expanding trade and investment ties, which we pursue through the World Trade Organization, the G20 and APEC.

Australia has a good working relationship with China on environmental issues, including water management and conservation. We actively maintain a formal bilateral memorandum of understanding on Antarctic cooperation, and are developing deeper operational and scientific relationships in Antarctica.

China and Australia’s defence partnership is a key component of our broader bilateral relationship. Over recent years, we have strengthened our defence relationship through senior-level dialogue, educational exchanges, reciprocal naval ship visits, and humanitarian assistance and disaster relief exercises. Australia is one of a few countries that have an annual Defence Strategic Dialogue with China, conducted between the Australian Defence Force and the People’s Liberation Army at the level of Chief of the Defence Force.

Managing differences

The strength of our bilateral relationship lies in our commitment and capacity to have frank exchanges of ideas, and to recognise and respect the differences in our political systems and values.

Apart from serving to promote cooperation and mutual understanding, Australia’s extensive suite of bilateral dialogue mechanisms with China also help manage differences. For example, the annual Australia-China Human Rights Dialogue is an important forum for frank exchanges on human rights. It identifies areas where Australia and China can work together to reach international standards in human rights, including through our Human Rights Technical Cooperation Program, study tours and workshops.

WORKING TOGETHER IN THE G20 AND APEC

Australia and China use a strong partnership across the G20 and APEC to address global and regional economic challenges. As great trading nations, we work closely in both forums to counter protectionism, and promote the positive contribution free trade can make to economic growth and as a source of jobs. Australia is also a strong supporter in the G20 of reforms to give emerging economies like China a voice in international financial institutions commensurate with the country’s growing economic and strategic significance.

Looking ahead, Australia and China share a strong interest in increasing the G20’s focus on the economic challenges and opportunities in the Asia-Pacific region. Our joint membership of the EAS, G20 and APEC provides opportunities to collaborate more closely on issues such as the region’s infrastructure deficit, food security and financial inclusion.

Deepen government partnerships

Australian and Chinese government agencies will strengthen their connections by conducting more comprehensive and regular bilateral dialogues.

The enhanced bilateral consultative arrangements to which Australia and China committed in April 2013 – including annual meetings between the Australian Prime Minister and China’s Premier, and annual ministerial-level dialogues on foreign, strategic and economic issues – will strengthen the existing framework of bilateral consultations. The new framework will provide greater strategic direction to the relationship, as well as new channels to build trust, deepen understanding, identify new areas for cooperation and resolve differences.

The Australia-Guangdong Business Cooperation Council, established in April 2013, will involve coordination across federal and state governments in Australia to take forward our business interests in southern China.

The focus on China at the federal, state and local levels – including many well-established sister-city and sister-state partnerships – will deliver tangible economic, educational and cultural outcomes for Australian communities.

Australian governments will have a cross-sector, inclusive approach to the bilateral relationship, including through the Council of Australian Governments.

State, territory and local governments will prioritise and strengthen their sister-state and sister-city partnerships to reflect their international and regional engagement strategies.

We will expand 1.5-track exchanges between Australia and China – including through existing initiatives such as the Australia-China Forum – to build closer networks between governments, education providers, businesses and civil society.

Foreign Minister Bob Carr with Chinese Premier Li Keqiang (then Vice Premier) and Australia’s Ambassador to China Frances Adamson, in Beijing on 15 May 2012.

Credit: Photographer Yu Chuzhong; image courtesy of the Department of Foreign Affairs and Trade.
Work together to tackle global issues

Our engagement through multilateral forums will evolve and deepen as our shared regional and global interests intensify. We will support China’s increased participation in the global order, to mitigate uncertainties and risks brought about by the shift of global strategic weight to Asia, and to pursue our shared interests in maintaining regional and global peace and prosperity.

As our interests increasingly intersect, Australia and China will increase their engagement in the EAS, the Association of Southeast Asian Nations Regional Forum, the ASEAN Defence Ministers’ Meeting Plus, the G20 and the United Nations to ensure strategic stability in the Indo-Pacific region.

Australia and China will work together to manage global and regional economic issues through the G20, APEC, EAS, World Trade Organization and United Nations. We also continue to address the global challenge of climate change by working towards a successful 2015 global climate agreement through the United Nations Framework Convention on Climate Change, and participating in an increasingly integrated global carbon market.

Under the Australia-China Development Cooperation Partnership, agreed to in April 2013, Australia and China will advance development cooperation on issues of common concern in the Asia-Pacific region.

The United States-China relationship, more than any other, will determine the outlook for the region. Our policy is to encourage China’s peaceful development and ensure that strategic competition in the region does not lead to conflict.

As the 2013 Australian Defence White Paper made clear, Australia does not approach China as an adversary. We encourage China to use its growing capabilities and influence to contribute actively and positively to maintaining regional peace and stability.

Captain Jones, an Army pathologist, with the People’s Liberation Army Officer Colonel Xiao within a mobile medical facility during the field training exercise of Exercise Cooperation Spirit 2012.

Credit: Image courtesy of Shannon McCarthy, Department of Defence.
Strengthen China capabilities

The capacity of Australian government institutions at all levels to develop and manage their engagement with China is a key element of the whole-of-Australia approach to the bilateral relationship.

It is critical that the Australian Public Service have the capabilities to effectively support governments, businesses and the community to take advantage of the opportunities that will emerge from our engagement with China.

The Australian Public Service’s Asia-relevant capabilities strategy – which is being developed by the Secretary of the Department of the Prime Minister and Cabinet, and the Australian Public Service Commissioner – will help all government departments and agencies embed regional and global dimensions into their domestic policy analysis and implementation. It will also strengthen and prioritise links between Australian policy-makers and their Asian peers.

The Australian Government will also draw more constructively on the China-focused expert networks in our universities, think tanks, peak industry bodies, businesses and the community.

The Australian Public Service Commission’s Leading Australia’s Future in the Asia-Pacific initiative and the Australia and New Zealand School of Government’s China Advanced Leadership Programs will build professional networks between the Australian and Chinese governments, and also enhance understanding of the political, economic and strategic settings of our regional partners.
CONNECTING GOVERNMENTS: PATHWAYS TO 2025

Towards 2025, Australian governments will strengthen their China capabilities, consolidating the partnership at all levels and working more closely together to ensure global and regional prosperity.

Reflecting public submissions and consultations, Australia will work to:

**CAPABILITIES**

- Broaden and deepen Australian governments’ China capabilities, and have strategies in place to attract, use and retain staff with China-relevant expertise.
- Ensure the Australian Public Service’s Asia-relevant capabilities strategy supports the Australian Government, organisations and citizens as the nation adapts to economic, social and strategic changes in Asia.

**COOPERATION**

- Intensify and broaden cooperation in multilateral and regional institutions to build Australia and China’s capacity to respond to global security, economic and climate change challenges, and enable sustainable and inclusive development.
- Develop our defence relationship with China, based on the Australia-China Defence Engagement Action Plan.

**PARTNERSHIPS**

- Grow a sophisticated and effective network of government-to-government partnerships at all levels in Australia and China.
- Enable closer engagement on shared economic, foreign policy and strategic interests, by ensuring Australian and Chinese leaders and senior ministers maintain regular dialogues.