

Executive summary and recommendations

China's entry into the World Trade Organization (WTO) in 2001 and the opening up of its domestic markets to international competition has transformed the country. Over recent years, China has experienced sustained rapid development and implemented wide-ranging economic reforms, including the lowering of trade and investment barriers. In opening up its markets, China has become a dynamic, strong and expanding economy offering opportunities for countries such as Australia to strengthen and deepen links. Even so, significant obstacles hinder trade with China.

Barriers to trade with China

The committee found that in some cases there were grounds for Australian businesses to consider China a 'risky place to do business'. Evidence pointed to a legal and regulatory environment that is complex, time-consuming, expensive, uncertain and at times discriminatory. China is a country that, despite reform, still has inadequate legal protections, poor corporate governance, intellectual property rights violations, government interference particularly at the local level and corruption. In respect of intellectual property rights, Mr Ian Heath, Director of IP Australia, stated that 'counterfeiting is rife' across most industrial sectors in China. Other witnesses complained that it is common practice in China 'to simply copy products without fear of reprisal.'

More generally on corporate governance and corruption, the committee notes the conclusions drawn in a recent OECD Policy Brief on China's governance:

Corruption is one of the most important problems in China today...more attention should be paid to reviewing areas prone to corruption, eliminating opportunities for corruption and creating conditions conducive to ethical behaviour.¹

Aspects of the business environment in China also discourage Australian investors. For example, the committee chronicled a long list of impediments for foreign businesses wishing to invest in the minerals sector in China. The Minerals Council claimed that 'there are restrictions to minerals investment in China at nearly every point in the process'.² The committee urges the Australian government to increase its efforts in bilateral, regional and multilateral fora to encourage China to remove its barriers to trade and investment, particularly non-tariff impediments.

Corruption was also cited as a major difficulty for investors. A recent OECD report concluded:

Despite significant efforts from the CPC and government leaders, corruption remains a serious problem for both citizens and businesses,

1 OECD, 'China's Governance in Transition', *Policy Brief*, September 2005.

2 See chapter 7, paragraph 7.61.

particularly for foreign direct investment. It continues to pose a significant challenge as a particular feature of the transition process.

Poor corporate governance is a sure breeding ground for corruption.

Recommendation 1

p. 70

The committee recommends that the Australian government increase its efforts through the WTO, Asia–Pacific Economic Cooperation (APEC) and bilaterally to encourage China to promulgate laws that comply with the WTO and to ensure that they are interpreted and applied consistently and without discrimination throughout the country. In particular the committee cites the contract and intellectual property laws and local government intervention as areas of most concern to Australian businesses.

The committee believes that Australia is well placed to encourage and assist China, in a practical way, to achieve a more open economy and efficient markets. For example, in light of Australia's experience in reforming its corporate law, it is able to provide a model and practical assistance to China in its endeavours to develop a better corporate governance regime.

Recommendation 2

p. 70

The committee recommends that the Australian government place a higher priority on developing and implementing practical measures to assist China manage its transition from a planned economy to a market economy, especially to improve its corporate governance regime. For example, by facilitating exchange programs between Chinese and Australian departments or agencies or offering special training and education programs for Chinese officials in the area of corporate governance.

In addition to its efforts in regional and multilateral fora, the committee urges the Australian government to monitor and report Australian businesses' complaints on provincial regulations. Austrade emphasises that Australian companies must be prepared for sudden changes in Chinese government policy, and that business conditions and policies in different regions of China are 'very diverse'.³ For large Australian investors in China, it can be difficult to establish a national operating system.⁴ There is also evidence that foreign companies receive less favourable treatment than local operations.

Recommendation 3 (see also recommendation 16)

p. 70

The committee recommends that Austrade establish a system for handling complaints on China's provincial regulations. This system would:

3 See 'China Profile: Assisting Australian exporters', Austrade, http://www.austrade.gov.au/australia/layout/0,,0_S2-1_CLNTXID0019-2_-3_PWB156799-4_doingbusiness-5_-6_-7_,00.html.

4 AustCham Beijing, *2004 Business Issues Paper*, p. 14.

- encourage Australian companies to register such complaints;
- record the complaints in a central register and monitor their management;
- disseminate information about these complaints among the Australian business community; and
- report the complaints to the Australian government.

Agriculture

There are significant opportunities for Australian agricultural exporters in China. The size of China's textiles industry—and the fact that it has not moved to become self-sufficient—presents Australian cotton growers with a large export market. Australian Pork Limited anticipates that 'as the Chinese market develops and consumer incomes rise, there are likely to be significant opportunities for high quality products from 'clean green' countries such as Australia'.⁵ Dairy Australia anticipates that China's consumption of cheese will increase from its current low base as incomes increase and the diet westernises. However, 'most older Chinese still find the taste and smell of cheese offensive' which may mean that imported cheese products will have to adapt in the short-term to be competitive in certain regions in China.⁶

Recommendation 4

p. 87

The committee recommends that Australia's agricultural exporters—in cooperation with key government agencies such as the Department of Agriculture, Fisheries and Forestry (DAFF) and Austrade—put particular effort into researching the China market. There will be significant export opportunities for Australian primary producers as China's incomes rise and the restrictions on trade are removed (see recommendation 14). For these opportunities to be recognised, it is imperative that Australian exporters have up to date information about consumer tastes and producer requirements as they vary from region to region.

Manufacturing

The committee notes the concern expressed during its inquiry about Australia's reliance on the export of raw materials to boost its balance of trade figures. For example, taking a longer term look at the pattern of Australia's exports, Mr Martin Feil, a former director of the Industries Assistance Commission, pointed to the fact that Australia adds 'virtually no value to natural resources and raw materials other than

5 Australian Pork Limited, *Submission* to the Department of Foreign Affairs and Trade, 'Australia–China Free Trade Agreement Joint Feasibility Study', 18 June 2004, p. 4.

6 Dairy Australia, *Australian Dairy Industry Submission* to the Department of Foreign Affairs and Trade, 'Australia–China Free Trade Agreement Joint Feasibility Study', June 2004, p. 12, http://www.dfat.gov.au/geo/china/fta/submissions/cfta_submission_2ag14.pdf.

extraction and some logistical services⁷. The Australian Manufacturing Workers' Union (AMWU) noted that for every plasma television Australia imported, it had to export 'in the vicinity of 150 tonnes of iron ore'.⁸

There has been strong support for the Australian government to have an overarching national policy on manufacturing to address China's challenge.⁹ This was recommended by both the Australia–China Business Council (ACBC) and the AMWU in their submissions to the committee.¹⁰ The committee supports this proposal. It believes that two key pillars of a national manufacturing policy must be to fund and coordinate research and development in value-added technologies, and to support skills development in technical education.

Although the level of industry expenditure on research and development (R&D) was higher in 2003–04 than when the Howard government came to office in 1996, it is still less than one per cent of gross domestic product (GDP). On this basis, Australia ranked 15th among Organisation for Economic Cooperation and Development (OECD) nations.¹¹ The weakness of Australian investment in R&D has also been reflected in Australia's \$85.4 billion balance of trade deficit in elaborately transformed manufactures (ETM) in 2004–05. This deficit has acted as a constraint on national growth and reinvestment in research and development.¹²

Recommendation 5

p. 116

The committee recommends that as part of a national strategy to promote innovation and value-adding in manufacturing, the Australian government must develop a wider range of incentives for CSIRO, the universities, private sector research centres and manufacturing companies to collaborate and invest in research and development (R&D).

The committee is also concerned that Australia has the workforce to complement this focus on a high-tech, value-added manufacturing sector. It is important that the manufacturing and technical education sectors continue to collaborate to ensure the supply and flexibility of the skills base.

Recommendation 6

p. 117

7 M. Feil 'Australian entrée on Chinese menu', the *Age*, 5 September 2005, p. 6.

8 See chapters 3 and 6, paragraphs 3.21, 3.23, 6.60 and 6.62.

9 Australia–China Business Council, *Submission P40*, p. 15. See also T. Sutherland, 'Policy needed for China FTA', *Australian Financial Review*, 15 April 2005, p. 22.

10 *Submission P36*, p. 2; *Submission P40*, p. 15.

11 'Research and Experimental Development, Businesses', *Australian Bureau of Statistics, Cat. No. 8104.0*, 2003–04, p. 6, [http://www.ausstats.abs.gov.au/Ausstats/subscriber.nsf/Lookup/76F4C63E4C74ABC0CA25708900805B84/\\$File/81040_2003-04.pdf](http://www.ausstats.abs.gov.au/Ausstats/subscriber.nsf/Lookup/76F4C63E4C74ABC0CA25708900805B84/$File/81040_2003-04.pdf).

12 P. Roberts, 'Make or break: why manufacturers are doing it tough', *Australian Financial Review*, 28 September 2005, p. 1.

The committee recommends that the government follow through with recent initiatives to improve the manufacturing skills base, particularly the creation of independent technical schools and a streamlined national system of apprenticeships.

Several witnesses praised Austrade, the consul generals and the Australian Chamber of Commerce in Beijing and Shanghai for their assistance in establishing Australian businesses in China. Mr Duncan Calder of the Western Australian branch of the Australia–China Business Council noted that these organisations are 'extraordinarily helpful in terms of acting as an interface between the local community and the Australians going up there [China]'.¹³

Austrade has recently established several offices in large regional cities such as Ningbo, Xian, Chendu, Nanjing and Qingdao.¹⁴ In 2005, the number of Australian companies that Austrade assisted in China was more than double the corresponding number for 2002.¹⁵ It is important that these networks continue to develop to assist large and small to medium sized manufacturing enterprises establish an export market or investment base in China.

Recommendation 7

p. 117

The committee recommends that Australian government agencies strengthen the coordination of efforts to promote Australian exports to, and investment in, China and East Asia. To this end, it is important that Austrade continues to establish offices outside of Shanghai and Beijing, and to develop further the avenues for consultation between large and small Australian manufacturers operating in China.

Conservation

China's growing demand for minerals and energy has created enormous opportunities for Australian companies to both export their commodities to China and to assist China with some of the problems they are grappling with such as environmental degradation. Environmental degradation is a serious problem in China and one that is worsening as the country accelerates down the path of industrialisation. Australia needs to join the international community in helping China better manage its economic development in a way that will not only prevent further damage to its environment but help China repair damage already done. In the bilateral context, Australia can make a contribution. It has the research and development capacity to assist China and should place a high priority in using this capacity to participate in joint ventures with China to combat its environmental problems.

13 *Committee Hansard*, 1 August 2005, p. 11.

14 Chanticleer, 'Big opportunities, but be patient', *Australian Financial Review*, 22 September 2005, p. 64.

15 Chanticleer, 'Big opportunities, but be patient', *Australian Financial Review*, 22 September 2005, p. 64.

The committee believes that Australia and China, who are major greenhouse emitters and rely heavily on fossil fuels for their energy, have much to achieve in the area of research and development toward the use of cleaner fuels and renewable sources of energy. The committee commends the work being done by Australian private enterprises, institutions such as CSIRO and state governments jointly with Chinese organisations to address conservation and climate change matters.

Recommendation 8

p.129

The committee recommends that Australia as a major exporter and consumer of coal take a lead role in promoting the cleaner use of fossil fuels and encourage further joint research and development between China and Australia in the area of environmental protection and climate control.

Education

Clearly, Australia has established its name in China as a preferred country for the education of its students. The education market, however, is highly competitive and Australia must match or better other countries in the quality of the education services it offers if it wants to maintain or expand market share. To remain competitive, Australia must ensure that it maintains and promotes its reputation as a safe place for young students, that conditions for entry and stay in Australia do not discourage overseas students and finally, that the reputation of Australia's educational institutions and the quality of their education remains high.

Recommendation 9

p. 155

The committee recommends that the Australian government:

- **work closely with the states and educational institutions to support and promote the work being done to enhance the welfare of overseas students in Australia;**
- **in consultation with state governments and educational institutions review the visa requirements for overseas visitors with a view to allowing greater access for foreign students; and**
- **take a lead role in discussions with Australian and Chinese educational institutions, professional bodies and responsible government agencies to achieve mutual recognition of qualifications across all professions.**

Tourism

The Australian tourist market is poised to benefit from the increasing number of Chinese now travelling abroad. Australia has the opportunity to build on its reputation as a desirable place to visit and to capitalise on the potential for growth in this market. The industry, however, should not simply look to China's expanding market to bolster their productivity nor rely solely on Australia's natural attributes to attract Chinese tourists. The findings of a 2003 survey and the observations of the Chinese

Ambassador to Australia, Her Excellency, Madam Fu Ying suggest that Australian providers should lift their standards.

The committee believes that there is no place for complacency or lack of imagination in the tourist industry. It must ensure that service delivery standards are high and meet the expectations of Chinese visitors. This would apply not only to private enterprise concentrating on accommodation and tour guide services, shopping and recreational activities but to governments who have a role in promoting the industry and ensuring the processes involved in visa applications, customs clearance and entry requirements do not discourage tourists. Australian governments are also responsible for ensuring that the infrastructure is in place—for example transport facilities, airports, roads and rail, that will go toward making a tourist's stay in Australia more enjoyable.

Recommendation 10

p. 163

The committee recommends that:

- **the Australian tourist industry and the federal, state and local governments and their respective agencies, work together to identify the areas that Chinese tourists consider could be improved;**
- **following this study, the Australian tourist industry direct its energies to assist or encourage service providers to make appropriate changes;**
- **the Australian government note the criticisms raised by witnesses in this report about visa requirements, and review these requirements and the procedures for processing visa applications and clearances through customs;**
- **the Australian government place a priority on extending the Approved Destination Status (ADS) program beyond the regions now covered by the scheme;**
- **the Australian government, in planning and allocating funds for infrastructure development or in attracting investment for infrastructure development, take account of the increasing importance of Australia's tourist industry to the Australian economy and devote resources to ensuring that transport and associated travel facilities are of a high standard; and**
- **the Australian government acknowledge the work being done by local councils such as the Wollongong City Council in attracting tourists to their region and supports such councils in their endeavours to boost Australia's tourist industry, for example through the promotion of such regions as part of Australia's tourist promotion campaign.**

Facilitating trade

The committee has made a number of recommendations addressing problems arising from restrictions placed on people from China applying for visas. These were concerned with students and tourists. Evidence suggests that Australia could do more to facilitate the travel of Chinese business people to Australia. China could also do

more to assist Australian business people travelling to China. The committee believes that Australia should not wait for a free trade agreement to provide easier access for business travellers between the two countries. It acknowledges the work that Australia has done in encouraging APEC members to support the APEC business card but believes that the Australian government should review the visas requirements for Chinese people wanting to travel to Australia to conduct business in Australia.

Recommendation 11

p. 175

The committee recommends that the Australian government:

- **review the visa requirements for Chinese people seeking to conduct business in Australia with the intention of improving their access to Australia; and**
- **confer with the relevant Chinese authorities to improve access conditions for Australians intending to visit China to conduct business. This matter of easier access to China for Australian business people should be a priority in the Free Trade Agreement (FTA) negotiations but Australia should not wait for the finalisation of this process to reach agreement with China.**

An Australia–China FTA

An Australian FTA with China must be pursued concurrently with opportunities for multilateral trade liberalisation through the WTO. The focus of the current Doha Round is to assist developing countries by cutting agricultural protection. The Australian government has strongly supported this agenda.¹⁶ However, the most recent Ministerial Conference in Cancun, Mexico, in September 2003 failed to achieve consensus on cutting protection for farm products. Some developed nations—notably the European Union (EU)—insisted that progress on reducing agricultural tariffs and subsidies should be conditional on addressing the so-called 'Singapore issues': investment, competition, transparency in government procurement and trade facilitation. Certain developing nations opposed the inclusion of the Singapore issues, believing they were irrelevant to their interests.¹⁷ This impasse contributed to the failure of the Cancun negotiations.

Recommendation 12

p. 188

The committee recommends that the Australian government continue its support for the Doha Round of multilateral trade negotiations, most immediately through the sixth WTO ministerial meeting in Hong Kong in December 2005.

The committee supports the Australian government's recent decision to negotiate an FTA with China and accord China 'market economy status'. China should be treated

16 M. Vaile, 'Europe's hurting the poor', the *Australian*, 25 November 2005, p. 12.

17 J. Robertson, 'Cancun to Hong Kong: Prospects for the WTO', *Research Note*, Parliamentary Library, 10 October 2005, p. 1.

the same as Australia's other WTO trading partners. In principle, the committee supports abolishing tariff and non-tariff barriers across all sectors within the shortest possible timeframe. The modelling clearly shows that this course will reap the greatest overall benefits to both nations.

Recommendation 13

p. 202

The committee recommends that the Australian government conclude an FTA with China that abolishes tariffs and addresses the range of non-tariff or 'beyond the border' issues. Australian negotiators must:

- **ensure that the FTA is comprehensive covering all sectors including the services sector;**
- **assist, wherever possible, with China's efforts to conform to WTO standards on intellectual property rights;**
- **encourage China to reduce its subsidies for local industry;**
- **encourage China to adopt the WTO's sanitary and phytosanitary (SPS) agreements for quarantine; and**
- **encourage China to develop greater transparency and uniformity in its corporate tax system.**

The progress of FTA negotiations to date is promising. The committee shares DFAT's insistence that future negotiations continue to consult widely with the Australian community and that, once implemented, there is a timetable for periodic review.¹⁸ However, there is likely to be significant opposition to the FTA from the Australian manufacturing sector and parts of both the Australian and Chinese agricultural sectors.

Recommendation 14

p. 204

The committee recommends that the Australian government consult extensively with stakeholders in the negotiation phase of the FTA. It is important that both the process and the outcomes of the FTA gain credibility and acceptance in the wider community. To this end:

- **it is important the various stakeholders recognise that China's different systems of law and government may produce an FTA unlike the Australia–US agreement**
- **there should be a timetable for periodic review of the FTA during the implementation phase.**

Greater understanding of the Chinese business world

Clearly, the business environment in China presents challenges for Australian enterprises doing business there. Australian business people should understand the

18 Department of Foreign Affairs and Trade, 'Australia–China Free Trade Agreement Joint Feasibility Study', March 2005, p. 134.

legal and regulatory framework operating in China to ensure that they are fully aware of the legal and business implications of any decision or agreement entered into and are in a position to protect their interests adequately. In particular, Australian business should not underestimate the influence of provincial or municipal bodies in China.

The committee recognises that government agencies and private organisations have taken on board the importance of having well-informed Australian business people operating in China. It believes, however, that more could be done in this area. It believes that the government needs to take the initiative to ensure that Australian students are exposed to the study of Chinese culture and have the opportunities and incentives to undertake further studies in Chinese languages and culture. This requires governments to think more creatively and ambitiously about providing incentives and opportunities for students to pursue advanced studies in Chinese languages and culture.

The following recommendations are targeted specifically to ensure that Australia has a pool of Australians, proficient in the Chinese language and with a sound appreciation of the Chinese culture, ready to advise business and governments on business practices in China.

Recommendation 15

p. 235

The committee recommends that, to ensure there is a pool of highly skilled China experts in Australia ready to advise government and business leaders on developments in that country, the Australian government:

- **actively endorse and sponsor 'in country' training of students at the tertiary and post graduate level where Australian students are supported in undertaking studies in China;**
- **work with private enterprises, particularly large firms with established business links in China, to provide more scholarships for tertiary students which would include work experience with companies conducting business in China; and**
- **encourage Australian tertiary students, through the use of scholarships and sponsorships, to undertake the study of a Chinese language and/or Chinese culture in combination with another discipline such as law, economics, commerce, actuarial studies, architecture or engineering (also see recommendation 21)**

Market intelligence

The following recommendation builds on the previous recommendation but is concerned more with market intelligence. There are potential social, political and economic factors that could derail China's economic progress. The committee believes that, in light of changes taking place in China and China's growing importance to Australian exporters, it is becoming increasingly important for governments and businesses to be well informed about China's market. It believes that the Australian government has a responsibility to ensure that sound market intelligence is available

and disseminated throughout the Australian business community based not only on an understanding of China's market place but on a appreciation of the social culture and political factors likely to impinge on the performance of China's economy. The committee found that it is important for Australian companies to understand the diversity and complexity of China's market and to be well placed to adapt to and manage change. Adequate information flows and a sound knowledge of the particular tastes and preferences of Chinese consumers underpins the success of foreign companies in China. It believes that Australia needs to monitor developments in China and the region and have specialists available who are able to analyse events and accurately predict future trends.

Recommendation 16 (see also recommendation 3)

p. 239

The committee recognises a need for Australian business, especially small and medium-sized enterprises (SMEs), to be part of an effective communication network so they can benefit from the experiences of others conducting business in China, especially those with established business associations in China. It recommends that the Australian government improve the dissemination of market intelligence about China in Australia by:

- **providing a forum whereby Australian businesses can meet and discuss their experiences in conducting business with the Chinese;**
- **establishing a more effective communication network in Australia that will alert Australian companies intending to conduct business in China, or already doing so, to the deficiencies in China's legal framework;**
- **increasing the focus on facilitating the formation of strategic partnerships between Australian and Chinese companies; and**
- **reviewing the concerns about the poor quality of data available on Australia's trade in services with a view to identifying ways to improve the current system of gathering statistics.**

The committee also believes that the Australian government has the responsibility to ensure that there is a whole-of-government approach to China and that the states and the federal governments together with their respective agencies are working co-operatively as partners in pursuing their particular interests in China.

Recommendation 17

p. 240

The committee recommends that the Australian government adopt a whole-of-government approach whereby all departments that have an interest or involvement in matters dealing with China have China experts on staff who form part of an Australian-wide departmental and agency network.

Human rights

Without doubt, China has made progress toward reform in some areas of human rights. Organisations such as Amnesty International, however, argue that serious and widespread human rights violations are still perpetrated across the country.¹⁹ In its 2005 report, it concluded:

Tens of thousands of people continued to be detained or imprisoned in violation of their fundamental human rights and were at high risk of torture or ill-treatment. Thousands of people were sentenced or executed, many after unfair trials. Public protests increased against forcible evictions and land requisition without adequate compensation.²⁰

Many witnesses believed that Australia could do more to encourage China to improve its human rights record. In particular, some emphasised that a timid approach could do more damage than good to Australia's relationship with China. Most urged the government to participate in strong and vigorous debate.²¹

Falun Gong in Australia

The committee believes that the public allegations about the surveillance of Falun Gong practitioners in Australia requires the Australian government to offer assurances that any such allegations are or will be investigated and the findings of those investigations made public. The committee also believes that in light of these allegations, it would be timely for the government to make a public statement to the effect that all people residing in Australia are entitled to enjoy their fundamental freedoms without interference from any individual, organisation or government.

19 Amnesty International Report 2005, <http://web.amnesty.org/report2005/chn-summary-eng> 9 August 2005.

20 Amnesty International Report 2005, <http://web.amnesty.org/report2005/chn-summary-eng> 9 August 2005. It should be noted that this same report criticised Australia stating that the rights of indigenous Australians remained a concern and that measures to combat 'terrorism' led to legislative amendments with implications for civil rights. It also noted that 'limited options for permanent residency were introduced, although thousands of refugees remained in limbo' and 'refugee families were kept separate by the government's policy of mandatory and indefinite detention'.

21 S. Morgan, *Committee Hansard*, 27 June 2005, pp. 6–7.

Recommendation 18

p. 248

The committee recommends that the Australian government place on the public record a statement making clear that all people resident in Australia are entitled to the protection of its laws and to exercise their fundamental freedoms without interference from any individual, organisation or government.

The committee believes that Australia and China could take better advantage of the human rights dialogue to promote the protection of human rights. There are people not only in Australia but in China who want confirmation that both countries are committed to advancing the rights of individuals. Both countries should welcome the opportunity to present an accurate assessment of the work they are doing to improve their human rights record. They should not shy away from showing the world their short comings and achievements in protecting human rights. The committee believes that the human rights dialogue provides an opportunity for Australia and China to demonstrate to the peoples of both countries and more broadly to the international community that they are strong advocates of the protection of human rights. Such demonstration cannot take place behind closed doors and be further masked by bland statements about progress.

The committee endorses the recommendations made by the Joint Standing Committee on Foreign Affairs and Trade²² but believes that additional measures should be taken to improve transparency in the dialogue process.

Recommendation 19

p. 253

The committee recommends that Australia encourage China, as part of the human rights dialogue, to reach an agreement that both countries:

- **release an informative agenda on the human rights dialogue before the dialogue commences;**
- **make public a joint statement immediately following the talks that provides a detailed assessment of the progress made since the last meeting, a discussion of the topics considered during the dialogue, and the agreements reached for future action; and**
- **consult with non-government organisations (NGOs) working in the area of human rights before each dialogue, or at the very least find a more effective way to engage them in the process.**

The committee believes that such a measure, while still taking account of the need for both parties to be able to talk frankly about sensitive issues in private, would add greatly to the value of the talks.

22 For example, the Joint committee recommended that the Minister for Foreign Affairs table an annual statement on the dialogues in Parliament. It also recommended that DFAT, Ausaid and the Human Rights and Equal Opportunity Commission (HREOC) make more effective use of their websites to convey up-to-date information on the dialogues.

Labour standards

A number of witnesses criticised China for not adhering to international labour standards. They cited as major concerns, systemic exploitation of women in the workplace, discrimination against and victimisation of migrant workers, frequent occupational health and safety failings, excessive work hours, denial of the right to form independent trade unions and to hold peaceful protests, and harsh recriminations, in some cases imprisonment, for workers who speak out against working conditions.²³ There have been roughly one million industrial accidents in China each year since 2001.²⁴

The committee notes that China has ratified only three of the eight International Labour Organization Conventions on Fundamental Principles and Rights at Work.

It believes that a trade agreement would not be the most effective way to ensure that all enterprises in China abide by international labour standards. The issue extends beyond Australian businesses in China and requires multinational cooperation. This does not mean that in consultations with China on the FTA that Australia ignore the matter. Indeed, the Australian government should take every opportunity, including the negotiations for a FTA, to raise Australia's concerns about violations of human rights and labour standards in China. The FTA consultation process should provide the opportunity for Australia to express its concerns and urge China to adopt international standards. The committee believes, however, that concerted pressure applied through multilateral fora would be a more productive way of convincing China of the need to improve its record on labour standards.

Recommendation 20 (also see recommendation 13) **p. 265**

The committee recommends that Australia join with other countries that have ratified the International Labour Organization (ILO) conventions to urge China to adopt all the conventions and to improve their observance of core labour standards of Chinese workers.

Recommendation 21 **p.265**

The committee recommends that the Australian government consult with NGOs and businesses operating in China with a view to formulating a policy on how they could jointly best promote the observance of core labour standards in China.

23 Amnesty International, *Fundamental Rights at Work, Amnesty's International Concerns to the International Labour Conference (4–20 June 2002)*, Amnesty International Report, 2005.

24 See also 'China's deathtrap mines claim 30 more lives', *Australian Financial Review*, 10 June 2005, p. 10. This article notes that unofficial sources suggest that as many as 20,000 miners may have died in industrial accidents in 2004.

China literacy

The committee recognises the vital role that education plays in promoting greater understanding and affinity between the Chinese and Australian people. Education at the primary, secondary and tertiary levels provides an effective means through which 'China literacy' can be formally promoted, equipping Australian children with the language skills and knowledge base to interact successfully with China. The committee urges the federal government to adopt a more proactive stance in encouraging the development of greater China literacy. If Australia is to gain the most from our growing relationship with China, it needs the capacity to understand and identify how, where and when opportunities to draw closer to China arise. The committee recommends that the Australian government and state governments take a far more active and constructive role in improving China literacy in Australian schools.

Recommendation 22 (see also recommendation 15)

p. 286

The committee recommends that the Australian government place a high priority on encouraging China literacy in Australia by:

- **working with the state and territory governments to reinvigorate the National Asian Languages and Studies in Australian Schools (NALSAS) strategy to promote the study of Asia across subject areas at both the primary and tertiary level and to support and encourage teachers to develop their Asia literacy;**
- **providing more support for in-country language training for undergraduates and post graduates and encouraging and supporting universities to create degree programmes that incorporate in-country experience;**
- **promoting 'double degrees' for example by setting up scholarships in a discipline combined with Asian language/cultural studies; and**
- **introducing incentives, such as scholarships and sponsorship to encourage Chinese students to apply for courses in the humanities and social sciences.**

Recommendation 23

p. 287

The committee recommends that the Department of Education, Science and Training (DEST) take a more active role in working with Australian educational institutions to develop an effective alumni programme.

Culture and sport

In light of the evidence suggesting that Australia may not adequately value the contribution that the Chinese community in Australia has made, and continue to make, to Australia's development as a nation, the committee makes the following recommendation.

Recommendation 24

p. 306

The committee recommends that the Australian government embark on a number of initiatives that would give greater recognition to the contribution made by the Chinese community, from its earliest presence in Australia to the present day, to Australia's development. For example, it would be timely for the production of a book that records such a contribution and also details the achievements of Australians in China.

Science and technology

The committee acknowledges the invaluable contribution that the scientific organisations have made to the bilateral relationship. The benefits already gained from current linkages demonstrate that it is in Australia's long term interest to support the work of these organisations and develop closer science and technology links with China. Moreover, based on evidence to this inquiry, the time would also appear to be right to undertake a concerted effort to augment the bilateral relationship.

The committee considers that establishing at least one highly skilled science-literate counsellor, based perhaps in Australia's embassy in Beijing, should be a priority. The 'Science Counsellor' position would be geared towards building bilateral links between government organisations, and acting as a conduit for research agencies wishing to establish or strengthen their presence in China. The Science Counsellor would have extensive knowledge of the Australian scientific context and be supported in his or her role by a science-literate locally engaged staff member with a high degree of familiarity with the Chinese scientific context. The science unit would be in a position to monitor and report on significant developments in Chinese science, indicate where there is potential for Australian involvement, and actively promote Australian innovation and scientific achievement. It would encourage Chinese researchers to view Australia as a destination of choice for international scientific collaboration and promote the trade-related aspects of innovation.

Recommendation 25

p. 319

The committee recommends that the Australian government consider the appointment of a dedicated Science Counsellor based in China to promote Australian science and technology.

Sister city links

The committee considers that the ability of local governments to foster people-to-people links, promote economic cooperation, and increase understanding and cultural exchange should not be understated nor under valued. The work of local governments, such as Wollongong City Council and Brisbane City Council, is vital to strengthening the overall bilateral relationship between China and Australia.

In 1966, the committee made specific recommendations regarding the need for greater intergovernmental cooperation and coordination. It believes that almost a decade later, the situation still needs to be addressed. While ever there is a lack of awareness and cooperation between all levels of government, opportunities go begging. Australia cannot fully extract the possible benefits arising from growing numbers of links

between Australia and China unless it acts in a considered and coordinated manner. Given the current FTA negotiations, it would seem timely to acquire a more complete picture of the multiple levels of engagement and activity in China, and work to develop and implement a coordinated strategy.

Recommendation 25

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The committee recommends that the Department of Foreign Affairs and Trade consult with representatives from the states and cities involved in a sister city relationship to develop strategies that will help them forge better trade ties and social and cultural links with their respective sister relationships in China. An annual gathering of interested parties, coordinated by DFAT, would provide an ideal forum for all involved in sister city relations to develop effective communication networks so they can benefit from each other's experience and provide valuable advice for those considering entering a sister city relationship.

