

Chapter 1

Introduction and conduct of the inquiry

Referral of the inquiry

1.1 On 8 December 2004, the Senate referred the matter of Australia's relations with China to the committee for inquiry and report by 15 September 2005. On 13 September 2005, the Senate granted an extension to the committee's reporting date to 10 November 2005.¹ This report is the first part of a two-part report. It concentrates on the trading, commercial, social and cultural links with China. The second report builds on the first part but is primarily concerned with the political and strategic aspects of Australia's relationship with China. It will be tabled some time after this first report is presented.

Timing of the inquiry

1.2 This is the third inquiry conducted by a Senate committee into Australia's relationship with China. In 1984, the former Senate Standing Committee on Industry and Trade inquired into prospects for Australia–China trade. In 1996, the Senate Foreign Affairs, Defence and Trade References Committee examined the wider bilateral relationship including the political relationship, trade and investment links and social and cultural ties. Since then Australia's relationship with China has continued to develop and grow.

1.3 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.

1.4 China is Australia's second largest merchandise trading partner and one of Australia's most important trading allies.² Its size and growing political, cultural and strategic influence in the Asia Pacific region, however, is also of great long-term significance to Australia. The rate and nature of change in China, its continuing economic development and its emerging influence in our near region present both risks and opportunities for Australia.

1.5 The inquiry is being conducted at a significant juncture in the Australia–China relationship. In 2002, Australia and China celebrated the 30th anniversary of the re-

1 *Journal of the Senate*, 13 September 2005, p. 1094.

2 Department of Foreign Affairs and Trade, *People's Republic of China Country brief*, September 2005, p. 1.

opening of diplomatic relations.³ Since then the relationship has grown stronger. In August 2003, Australia and China entered into an agreement, the Australia–China Trade and Economic Framework, and in April 2005 both countries agreed to commence negotiations for a bilateral free trade agreement.

1.6 The committee believes that at a time of such rapid economic and political development in China and the broader region, it is timely to review Australia's relationship with China. In particular to explore the ways in which Australia can take advantage of the opportunities presented by the changes taking place in China. The following terms of reference allow the committee to do so.

Terms of reference

1.7 The terms of reference for the committee's inquiry into Australia's relationship with China as set out below recognise that economic, political and strategic factors are intertwined.

- (a) Australia's economic relationship with China with particular reference to:
 - i. economic developments in China over the last decade and their implications for Australia and the East Asian region;
 - ii. recent trends in trade between Australia and China;
 - iii. the Australia–China Trade and Economic Framework and possibility of a free trade agreement with China;
 - iv. ongoing barriers and impediments to trade with China for Australian businesses;
 - v. existing strengths of Australian business in China and the scope for improvement through assistance via Commonwealth agencies and Australian Government programs;
 - vi. opportunities for strengthening and deepening commercial links with China in key export sectors;

- (b) Australia's political relationship with China with particular reference to:
 - i. China's emerging influence across East Asia and the South Pacific;
 - ii. opportunities for strengthening the deepening political, social and cultural links between Australia and China;
 - iii. political, social and cultural considerations that could impede the development of strong and mutually beneficial relationships between Australia and China; and

- (c) Australian responses to China's emergence as a regional power with particular reference to:

3 The Hon. Alexander Downer, MP, Minister for Foreign Affairs, Media Release, No. FA123, 30 August 2005.

- i. China's relationships in East Asia, including in particular the Korean Peninsula and Japan;
- ii. the strategic consequences of a China-ASEAN free trade agreement;
- iii. China's expanded activities across the South West Pacific.

Conduct of the inquiry

1.8 The committee sought views from a range of people and organisations including: sectors of the business community who have or would like to establish commercial links with China; Chinese companies who have business ties with Australia; mutual friendship associations both here and in China; organisations and associations interested in fostering links between the two countries; academics with expertise in East Asia and the South Pacific; and people who are concerned about Australia's future relations with China.

Advertisement

1.9 The committee advertised the terms of reference and called for submissions in *The Australian* on a number of occasions leading up to the close of submissions on 24 March 2005.

Submissions

1.10 The committee received 81 public submissions which are listed at Appendix 1.

Public hearings

1.11 The committee held nine public hearings. They were held in Canberra, Melbourne, Sydney and Perth. A list of the committee's public hearings, together with the names of witnesses who appeared, is at Appendix 2.

Visit to China

1.12 In August 2005, four Australian senators made a private and unofficial visit to Beijing, Shanghai and Xi'an at the invitation of the Foreign Affairs Committee of the National People's Congress of China. The travelling party included the Chair of the Senate Foreign Affairs, Defence and Trade Committee, Senator Steve Hutchins, Senator David Johnston, who is now Deputy Chair of the committee, the Deputy President of the Senate and committee member Senator John Hogg, and participating member Senator Brett Mason. Senators Hutchins and Johnston were accompanied by their partners. At the request of the senators, Dr Richard Grant, from the secretariat accompanied the delegation.

1.13 Members of the delegation and the secretariat express their gratitude to the National People's Congress for their hospitality and generosity, and to Ms Ou Boqian and Mr Wang Xingguang from the Chinese Embassy in Canberra for their assistance with organising visas and the itinerary.

1.14 The purpose of the visit was to enable the senators to develop greater understanding of China's economy, culture and society, following the committee's hearings in Australia. This was the first visit to mainland China for all four senators. In Shanghai, the senators met with the Pudong District People's Congress and Mr Zhou Muyao, Vice-Chairman of the Standing Committee of the Shanghai Municipal People's Congress.

1.15 The delegation then visited Beijing where they had discussions with the Hon. Jiang Enzhu, Chairman of the Foreign Affairs Committee of the NPC, Mr Yi Xiaozhun, the Assistant Minister of the Ministry of Commerce, the Hon. Yang Jiechi, Vice Minister of the Ministry of Foreign Affairs, Mr Ye Kedong, Assistant Minister of the Taiwan Affairs Office, and Mr Xu Jialu, Vice Chairman of the Standing Committee of the NPC.

1.16 The senators also met with Mr Wang Shilin, the Deputy Director of the 2008 Beijing Olympic Games Organising Committee. In Xi'an, the senators had discussions with various members of the Shaanxi Provincial People's Congress, including the Chairman, Mr Bai Zhimin and the Vice Chairman, Mr Gao Yixin. The committee thanks all these officials for their willingness to talk openly on a wide range of issues.



On 25 August 2005, the Australian delegation met with the Hon. Xu Jialu (front row, fourth from left), Vice Chairman of the National People's Congress at the Great Hall of the People in Beijing. Also present was Mr Graham Fletcher (front row, second from right) the acting Australian Ambassador to China.



In Shanghai, the Australian delegation travelled on the Meglev train, which runs from Pudong International airport to the city. It is one of the fastest trains in commercial use, reaching a maximum speed of 435 kilometres per hour.

1.17 The senators met Australian officials based in China, including Mr Sam Gerovich and Mr Tony Ambrosino from the Australian Consulate General in Shanghai, and Mr Graham Fletcher, Mr Kym Hewett, Mr Stephen Joske and Mr Trevor Holloway from the Australian Embassy in Beijing. In addition to these officials, the committee thanks Ms Bonnie Williams, Second Secretary of the Political Section at the Australian Embassy, who accompanied the senators throughout their visit.

Structure of the report

1.18 As noted earlier, the committee agreed to produce and table two separate reports. This first report is divided into four parts and covers the following main topics:

Part 1—Background to the relationship between Australia and China

- Chapter 1 Introduction and conduct of inquiry
- Chapter 2 Economic developments in China

Part 2—Trade between Australia and China—incentives and obstacles to trade

- Chapter 3 Trading links between Australia and China
- Chapter 4 Barriers to trade—tariffs and non tariff barriers

- Chapter 5 Trade in agriculture
- Chapter 6 Trade in manufactured goods
- Chapter 7 Trade in minerals and energy
- Chapter 8 Trade in services
- Chapter 9 Investment

Part 3—Formal trade agreements as a means to strengthen the trading relationship

- Chapter 10 The connection between the multilateral trade agreement, regional arrangements and bilateral agreements
- Chapter 11 The proposed Australia-China Free Trade Agreement (FTA)
- Chapter 12 For and against the proposed FTA
- Chapter 13 Building a better trading relationship and strengthening ties with China
- Chapter 14 Human rights and labour standards in China

Part 4—Developing broader political, cultural and social links

- Chapter 15 Promoting 'China literacy'
- Chapter 16 Public diplomacy, culture and sport, and the Chinese–Australian community
- Chapter 17 Science and technology
- Chapter 18 'Political' links

Acknowledgments

1.19 The committee thanks all those who contributed to the inquiry by making submissions, providing additional information or appearing before it to give evidence.