

## **Chinese puzzle**

Malcolm Cook  
The Courier-Mail  
5 April 2006  
P. 25

Domestic news in Australia is dominated by machinations in the Sydney-Canberra-Melbourne triangle despite the fact that the main drivers of Australia's export economy and present boom rest in Brisbane, Perth, Darwin and beyond.

Australia is surfing the China wave that is visiting our western and northern shores.

Premier Wen Jiabao's travel itinerary underlines this national blind spot and its costly shortcomings. Following the well-beaten path of his predecessors, Premier Wen, China's head of government, arrived last Saturday in Perth where he visited a smelting facility boasting a Chinese equity partner.

Wen spent roughly half his trip in Western Australia while giving Melbourne, and Brisbane, a miss. Queensland's Premier Peter Beattie didn't let the opportunity pass, flying to Canberra to catch up with the Chinese leader.

Wen's 200-person entourage, including Commerce Minister Bo Xilai and Foreign Minister Li Zhaoxing, shows how great China's interests are in Australia; the choice of Perth as the gateway shows where these interests lie.

China's resource-intensive boom is creating much more wealth outside Australia's predominant southeast and new interstate tensions as New South Wales' GST gripes against Queensland and Western Australia underline.

State-federal tensions over port infrastructure in Queensland also originate in Australia's China boom.

Thanks to primary industries, China is Australia's second largest export market with raw resource exports to China having grown sevenfold in the past decade, massively outstripping anaemic growth in manufactured exports.

Iron ore, wool, coal, copper ores and crude oil are our five largest export items to China with LNG to join this list when the North-West Shelf project starts to export up to \$1 billion a year to southern China this year. Uranium exports will also take off given Chinese plans to open up 19 new nuclear power plants by 2020.

Above ground, China's economic boost to regional Australia is no less impressive.

China is now the largest single source of foreign students, making up 20 per cent of international student inflows.

Foreign student numbers are particularly important for smaller regional universities outside Australia's largest urban centres, such as the University of Southern Queensland.

Up to 70,000 Chinese students study in Australia, while only 1000 Australian students study in China.

Last year Australia received 285,000 Chinese visitors, up from only 120,000 in 2001-02, providing a much needed boost for regional tourism centres. By 2012 tourism promoters foresee up to one million Chinese visitors, even if "where the bloody hell are you" does not translate well into Mandarin or Cantonese.

Regional Australia's rapid economic integration with China is not all smooth sailing. Wen's trip has highlighted two points of potential conflict that will again have the greatest resonance outside the nation's capital.

China's push to buy Australian uranium and the keen interest in buying rights to Australian uranium reserves have splintered Labor Party unity and have pitted South Australia against Western Australia.

With the signing of the nuclear safeguards agreement in Canberra on Monday, uranium sales to China are no longer a federal problem and are now firmly in the realm of state politics. If South Australia does fully open up the Honeymoon uranium mine to China, Labor state unity will be dealt another blow.

Second, as with the US trade deal, agriculture promises to be a sticking point in free trade negotiations with China. Australia already supplies 98 per cent of imported beef to China and is China's largest source of imported wool.

Yet, Chinese agricultural markets are far from open with average agricultural tariffs about 15 per cent or 10 times Australia's levels.

Mounting rural disturbances in China's poverty-racked hinterland have caught the attention of Beijing, with President Hu Jintao calling for a "new socialist countryside" and promising to boost rural welfare and incomes.

None of this sounds code for greater foreign market access. Trade Minister Mark Vaile, head of the rural Nationals, is pushing for a "comprehensive" trade agreement including agriculture. Pushing too hard on agriculture may slow down or even quash a deal with our most dynamic trading partner.

Excluding major gains in agriculture, again, could sour rural voters towards China and the national politicians who pushed the deal through.

China's historic economic boom is helping to reconfigure Australia's economic geography by benefiting the west and the north the most. So far this has been greeted with great joy but points of contention are starting to appear in China-Australia commercial relations.

Perth will continue to be Chinese officials' favourite gateway but the reception may not always be so effusive.

Dr Malcolm Cook is the Program Director Asia & the Pacific at the Lowy Institute for International Policy in Sydney