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Deputy Leader of the Opposition
Shadow Minister for Foreign Affairs

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ADDRESS TO THE AUSTRALIA–CHINA SISTER CITIES SUMMIT/
AUSTRALIA–CHINA BUSINESS SUMMIT WELCOMING LUNCHEON
PARLIAMENT HOUSE, SYDNEY

E&OE...

Hon Ken Smith MP, Hon Henry Tsang MP (introductory comments)

I am very pleased to have the opportunity to speak at this summit that is focussed on sister cities and on friendship cities. Sister city relationships have made a fundamental and essential contribution to the growing ties between our two countries.

Let me give you an example. I come from Western Australia and the City of Perth has had a long standing Sister City relationship with the City of Nanjing in China. Over the past 10 years there have been exchanges of performing artists, students, business people, university delegations between the Nanjing University and the University of Western Australia, with dance troupes, art exhibitions, trade and investment missions, economic and goodwill delegations that have flowed between the two cities of Perth and Nanjing.

Talking of visits to China, my last visit to China was in 2008 when I was a guest at the Beijing Olympics. Beijing the city and the Chinese people deserve great accolades and tributes for the Beijing Olympics, which were surely one of the most successful games the world has ever seen.

Australia and China have a strong and growing economic relationship, and coming from Western Australia I am acutely aware of the fundamental importance of that relationship to Western Australia's and indeed Australia's ongoing prosperity.

As a Cabinet Minister in the former Coalition Government, I see the enhancing of that relationship as one of the great success stories of the former government.

We bequeathed not only a significant economic legacy to the new Labor Federal Government, but also a significant foreign policy legacy which was inherently solid, balanced and consistent.

Within a coherent foreign policy framework, Australia was well positioned to work effectively with our key allies and partners in an increasingly dynamic international environment. Significantly, the Coalition Government, of which I was a member, was able to forge a new relationship with China, an emerging economic power of the 21st Century.

Our policy was, and my party's current policy is, to embrace China as part of the Asia-Pacific community and to encourage China to be a greater part of the solution to global issues.

We increased engagement on security and trade issues with China, recognising that we had common interests in protecting and promoting our respective economies.

The Coalition in Government was quick to seize the opportunities presented by China's growing economic, political and strategic weight.

On any objective view, the former government in Australia successfully managed relations, focussing on shared interests while acknowledging our differences on a couple of touchstone issues including democracy, freedom and human rights.

We fostered a mature and confident relationship managing the perceived strengths and weaknesses as they arose but always trying to be consistent in our approach. We knew where each other stood particularly on contentious issues, but we are deeply concerned that the relationship is not as steady today and we intend to work hard to restore the consistent mature relationship that has existed between our two countries.

One matter of which I am particularly proud was our achievements with China in working to expand trade and investment ties, particularly through a bilateral Free Trade Agreement that was initiated between our two countries.

We remain disappointed that Australia has been unsuccessful in concluding a free trade agreement with China to date, as the talks stalled at the end of last year. However there are promising reports that talks will begin again this September if relations between the two governments are sufficiently warmed at that stage.

I believe the need for a Free Trade Agreement remains clear. China is our second-largest merchandise trading partner.

According to our Department of Foreign Affairs and Trade statistics, two-way trade with China reached almost \$68 billion in 2008, an increase of 28 percent year-on-year. Resources made up 86 per cent of these merchandise exports, and China is Australia's second largest source of imports after the United States.

So a Free Trade Agreement makes sense.

I attended the Boao Forum in China in 2006 and had discussions with Chinese representatives about the progress of the Free trade Agreement. There was considerable good will at that time for furthering the free trade discussions. There were some obvious sticking points but I felt that real progress was being made.

At the time I was also Australia's Minister for Education and I held some very fruitful discussions with education authorities, for China was, and is our largest source of international students with more than 120,000 Chinese students studying in Australia.

There are great opportunities for the development of deep personal links between our countries through our young students. It is my personal belief that if we foster two-way, and I emphasise two-way, student exchange we'll achieve a much greater understanding between

our countries, our culture, our political systems and our societies.

I am keen to continue to promote the idea of more Australian students undertaking studies in China – and now that more Chinese Universities are offering courses in English, that will help – but we are keen for our students to learn other languages when abroad!

Now that the Liberal Party is in Opposition I can say as Deputy Leader that we remain committed to a policy of positive and productive engagement with China – an approach that is measured and balanced.

There have been some confusing signals of late regarding Australia's approach to foreign investment from China.

Our government needs to quickly settle its policy approach on foreign investment, particularly from state-owned entities, and communicate it more effectively.

It is incorrect to suggest that Australia does not want Chinese investment. We do. But Australia must deliver a convincing policy rationale for foreign investment in general, or more particularly where issues of state-ownership or control or sovereign wealth funds are concerned. Otherwise this will put at risk the good work done over many years in building trust and cooperation with China.

I believe that at the same time Australia must do more to encourage China to free up its foreign investment framework to allow greater foreign investment from Australian companies into China. There is great untapped interest from Australian companies in further investment in China.

Australia's mineral and energy wealth, and our geographic location, position us as an increasingly important supplier of resources to the growing economies in our region, including China.

The recent signing of the \$50 billion LNG contract between ExxonMobil and PetroChina from the Gorgon LNG fields in Western Australia is a case in point.

But of course there is so more to our relationship than just the economic relationship.

There are many challenges where Australia and China will work together and many issues where we will look to China to look resolve some very difficult issues, for example the tensions on the Korean peninsular and responses to climate change.

But as always with bilateral relationships it is the people-to-people links that are most important.

Organisations such as the Australia-China Council have promoted people-to-people links for many years with a focus on education and science, economics and trade, society and culture. Activities such as the Australian Film Festival held in major Chinese cities this year raised Australia's profile and fostered cultural ties and encouraged tourism and of course more business.

We value the increasing number of Chinese tourists who are coming to Australia. In 2008 over 350,000 Chinese visited Australia - our fifth largest source of tourists.

And here in Australia we have such a strong foundation upon which to grow our relationship with the Chinese community in Australia.

About 500,000 Australians claim Chinese heritage and that is a substantial base for increasing our bilateral relationship.

Many believe that this will be the Asia-Pacific century. Both China and Australia will remain significant players in the region.

It is essential that China and Australia have long term mutual interests and an ongoing constructive relationship. We need to be open and honest with each other.

We already have impressive economic ties and they will continue. We need to see further progress towards a more strategic partnership in the economic sphere, our economies are complementary and we need to develop a stronger framework for further cooperation including, I would suggest, through a Free Trade Agreement.

Two-way educational opportunities and recreational travel will grow in importance in our relationship and help forge stronger people-to-people links.

As I said at the outset, Sister City relationships, friendship city relationships, make not only a fundamental and essential contribution but also an enduring contribution.

The Liberal Party will welcome further engagement and a broader and deeper dialogue with China, not only in the economic arena but also in the social and cultural spheres, to develop better understanding between our two peoples.

I see China and Australia as important stakeholders in furthering prosperity and peaceful cooperation in our region.

If I were asked to sum up the relationship I want to see between Australia and China, two words come to mind – mutual respect.

That is the key to our ongoing relationship.

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