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Australian Agriculture Roundtable Conference

Time to invest in ties with China

Australia needs to urgently revamp its dealings with its largest trading partner and establish an economic agreement with China that is more ambitious than the Free Trade Agreement currently under negotiation, a leading expert at The Australian National University (ANU) has told the Australian Farm Institute.

Presenting at the Australian Agriculture Roundtable Conference in Melbourne today, Professor Peter Drysdale, head of the ANU East Asia Bureau of Economic Research and the intellectual architect of Asia-Pacific Economic Cooperation (APEC), said that current arrangements for managing the Australia-China economic relationship are inadequate given the scale of the impact that China is still going to have on the global and regional economy.

'Both Australia and China need to work on building stronger institutional structures for what has become Australia's largest economic relationship,' said Professor Drysdale.

'Projections to 2020, which in economic terms is just around the corner, will see the economic relationship with China become Australia's most comprehensive ever. For China, its economic ties to Australia are hugely important for its own economic security. The two countries' relationship is also a key anchor in Asian regional and global security.

'There needs to be a new comprehensive economic agreement between Australia and China, which underpins their deep economic and political interests across existing strategic resource and energy ties.

'Arguments over foreign investment also need to be fixed – not with bandaids but with a strategic policy re-positioning. Good foreign economic relations start at home and most of the two countries' economic troubles can be fixed domestically,' said Professor Drysdale.

'25 per cent of Australia's exports (in value) go to China and 19 per cent of Australia's imports (in value) come from there. These trade figures will only get bigger in the future. There is no time to waste in getting the partnership right as both countries have a lot at stake and already the opportunities are passing Australia by.

'Also over the past five years Australia was the largest source of Chinese Foreign Direct Investment (FDI) except for Hong Kong. This investment was worth US\$34 billion and is now naturally extending from resources to farm and commercial investments. China is also Australia's largest source of overseas students and tourism expenditure.' Professor Drysdale noted.

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