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The dilemma of interdependence: current features and trends in Sino-Australian relations

CHANG SEN YU AND JORY XIONG

The relations between China and Australia are akin to close interdependence; however, they are not symmetrical and are sometimes even contradictory. Although China is the number-one trade partner of Australia, it is the most uncertain factor in security concerns for Australia. The Sino-Australian relationship is essentially a process of constant inter-adjustment by China, as an Oriental great power with a socialistic political system, and Australia, which is a leading middle power in the Asia-Pacific region and tends to keep its policies at a status quo. The phenomenon of both cooperation and competition in Sino-Australian relations reflects a universal law in the international political power transfer process.

Keywords: China–Australia relations; governance; interdependence; trade

Introduction and analytical framework

Australia is a very important ‘middle power’ nation state in the Asia-Pacific region. The bilateral relations between China and Australia have made tremendous progress in recent years, especially in the economic sphere. However, with China’s re-emergence as a major regional power, Australia has adjusted its policy towards China and this has led to a number of frictions and divergences. Today, as globalisation and regionalisation both have become highly developed, it is indeed a fact that international society has become more and more interdependent. Therefore, this article will analyse the current features and trends in Sino-Australian relations by applying the interdependence theory relevant to international political economy.

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The concept of interdependence emerges from 'dependence'. 'Dependence' means a state of being affected or dominated by external forces. Simply defined, 'interdependence' means mutual dependence. Interdependence in world politics refers to situations characterised by reciprocal effects among countries or among actors in different countries (Keohane and Nye 2004: 7). In most circumstances, a key feature of interdependence is asymmetry. The asymmetry of power between interdependent states/nations is a common pattern in international politics. Since power can be thought of as the ability of an actor to get others to do something they otherwise would not do, such power can be conceived in terms of control over outcomes. When we say that asymmetrical interdependence can be a source of power, we are thinking of power as control over resources or the potential to affect outcomes. A less dependent actor in a relationship often has a significant political resource, because changes in the relationship will be less costly to that actor than to its partner. The advantage does not guarantee, however, that the political resources provided by favourable asymmetries in interdependence will lead to similar patterns of control over outcomes.

There are two key variables in understanding and examining interdependence: sensitivity and vulnerability. Sensitivity involves degrees of responsiveness within a policy framework—how quickly do changes in one country bring costly changes in another; and how great are the costly effects? Sensitive interdependence, then, is created by interactions within a framework of policies. The vulnerability dimension of interdependence rests on the relative availability and costliness of the alternative that various actors face (based on policy changes). In terms of the cost of dependence, sensitivity means liability to costly effects imposed from outside before policies are altered to try to change the situation. Vulnerability can be defined as an actor's liability to suffer costs imposed by external events/forces after policies have been altered over a period of time (Keohane and Nye 2004: 10–12). Interdependence not only catalyses the emergence of international cooperation, but it may also generate conflict or tension.

In order to promote cooperation and solve conflicts, the establishment of international institutions becomes particularly important. By creating or accepting procedures, rules or institutions for certain kinds of activities, governments regulate and control transnational and interstate relations. Relationships of interdependence often occur within, and may be affected by, networks of norms, and procedures that are meant to regularise behaviour and control their effects. Here, we refer to the sets of governance arrangements that affect relationships of interdependence such as international regimes (Keohane and Nye 2004: 16–17). In international anarchy, international institutions play the 'substitutional function' of adjusting international relations and promoting international cooperation, thereby maintaining cooperation after hegemony (Keohane 1984).

The emergence of Sino-Australian interdependence

In the first 10 years of the twenty-first century, the interdependence between China and Australia has been enhanced significantly. It may be investigated through the following three areas: bilateral trade relations, two-way investment relations and non-economic cooperation.

Bilateral trade relations

The total trade between China and Australia rose extraordinarily rapidly from 2000 to 2009. In 2002, bilateral merchandise trade rose above US\$10 billion for the first time, and it doubled to more than US\$20 billion in 2004 when China became the second-ranking trade partner of Australia. In 2007, taking the place of Japan, China became the first-ranked merchandise trading partner of Australia, with a total bilateral trade of US\$43.946 billion, and in 2009 it increased to US\$60.092 billion. Thus, it increased five-fold in just seven years (2002–9), with an average annual growth rate of more than 28 percent (in which China's imports from Australia accounted for US\$39.438 billion in 2009, attaining an annual growth rate of 31 percent). Such enhanced exports by Australia to China gave Australia a trade surplus of US\$5.5 billion. Additionally, in 2009, China became the leading trade (including service trade) partner of Australia, while Australia became the seventh-ranking trading partner of China (see Table 1). Their total bilateral trade from January to June 2010 reached US\$37.9 billion, increasing by 38.5 percent, while Australia gained a trade surplus of US\$7.18 billion (MOFCOM 2010).

Two-way investment relations

As important investment partners to each other, two-way investment is now becoming a new growth point of trade cooperation between China and Australia—although the Sino-Australian two-way investment relationship has not kept pace with the rapidly developing bilateral trade relationship. According to available data for 2005, China was the twentieth-ranked country for Australian overseas investment. By 2008, the cumulative number of China's approvals of Australian direct investment was 8954, and the actual investment was US\$5.82 billion (see Table 2). Australian investments include agricultural

Table 1. China's merchandise trade with Australia, 2000–9 (US\$ billion)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Export	3.43	3.57	4.58	6.26	8.84	11.06	13.63	17.99	22.24	20.65
Import	5.02	5.43	5.85	7.30	11.55	16.19	19.32	25.95	37.42	39.44
Total	8.45	8.99	10.44	13.56	20.39	27.25	32.95	43.95	59.66	60.10

Source: China Commerce Yearbook Editorial Committee (2009: 150–1) and MOFCOM (2009).

items, building materials, textiles, electronics and services. By April 2010, Australia's cumulative actual investments in China had surpassed US\$6 billion (MOFCOM 2010, p. 400).

Meanwhile, Chinese investment in Australia, which had been limited in the past, has increased rapidly. According to data from the Australian Foreign Investment Review Board (FIRB), in 2001–2 China's investment applications amounted to 237, with a total value of AU\$311 million. This ranked China in twelfth place amongst foreign investment countries accepted by Australia. And, in 2005–6, China's investment applications amounted to 84, with a total value of AU\$7259 million, jumping to third place (Australian Government Foreign Investment Review Board 2006, p. 37). The majority of Chinese investment has been in minerals and mineral-processing industries, real estate and agriculture. China became Australia's second-largest investor in 2008–9 with a total of AU\$26.6 billion. Investments in the mineral exploration and development sector accounted for AU\$26.3 billion, representing 99 percent of all Chinese investments in Australia. This was dominated by one failed proposed investment of AU\$19.8 billion between Chinalco and Rio Tinto, which represented 74 percent of the total Chinese investment (see Table 3). It has been reported that the direct Chinese investment in Australia over the January–April 2010 period was up to US\$644 million, illustrating further rapid growth.

Non-economic cooperation

In this new century, high-level visits and personnel exchanges between China and Australia have become more frequent. Kevin Rudd, the then Prime Minister of Australia, made a successful visit to China in April 2008. There were one million visitor exchanges between the two countries in 2008, in which 600,000 Chinese went to Australia and 400,000 Australians went to China. There were also 13,000 plus Chinese students in Australia, making China Australia's biggest source of overseas students (Zhang 2009). In October 2009, the Deputy

Table 2. Australian investment in China, 2000–8 (US\$ million)

Year	Number of approvals	Contract investment	Direct investment
2000	393	697	308
2001	439	675	336
2002	592	910	380
2003	785	1915	593
2004	736	2053	664
2005	692	2700	400
2006	629	2100	550
2007	—	—	—
2008	337	1020	—

Source: MOFCOM (2010: 400).

Table 3. FIRB-approved Chinese investment in Australia, 2001–9 (AU\$ million)

	Number of approvals	Totals	Rank
2001–2	237	311	12
2002–3	–	–	–
2003–4	170	1100	11
2004–5	206	264	12
2005–6	84	7259	3
2006–7	874	2640	11
2007–8	774	7479	6
2008–9	57	26,599	2
Totals	2402	45,652	

Source: FIRB (2001–9).

Prime Minister of China, Li Keqiang, visited Australia, and the Chinese and Australian governments issued their first Joint Declaration since the establishment of a diplomatic relationship between the two countries in 1972. The leaders and governments of the two countries decided that China and Australia would host the ‘Year of Culture’ alternately, whereby China will host the ‘Year of Australian Culture’ in 2010–11 and Australia will host the ‘Year of Chinese Culture’ in 2011–12. During the successful Australian visit by Xi Jinping, the Deputy President of China, the leaders of the two countries held highly effective talks about ‘consolidating and upgrading the Sino-Australian comprehensive cooperative relations’ (Ma 2010), and signed several cooperation treaties.

Sensitivity and vulnerability in Sino-Australian interdependence

As stated above, sensitive interdependence is created by interactions within a framework of policies. In terms of the cost of dependence, sensitivity means liability to costly effects imposed from outside before policies are altered to try to change the situation. Sino-Australian interdependence is continuously being deepened, and the mutual effects on the policies of the two countries are quite sensitive. Sensitivities of interdependence are present in the areas of politics, society and especially economics.

The imports and exports of merchandise between China and Australia, mainly as inter-industrial trade by the structure of vertical division of labour, are indeed complementary. The merchandise that China exports to Australia is mainly industrial products, such as clothing, electronic components, computers, toys and sports equipment. The goods that China imports from Australia are mainly resources like iron ore, wool, farming products, copper, and so on.

Such trade complementarity is based on the different natural endowments of China and Australia, although trade barriers between the two countries may

also have an effect. Analysis of Sino-Australian trade and investment relations shows that there are both advantages and disadvantages for the two countries. So, when interdependence presents itself as a power relationship, each side has a different stake regarding the other. Whether considering the bilateral trade relationship or the two-way investment relationship, it is clear that economic interdependence between China and Australia is based upon China's intense need for Australia's resources to fuel its rapid economic development. This has recently expanded opportunities for Australian exporters and generated considerable economic prosperity.

An overview of the structure of bilateral merchandise trade clearly demonstrates that it is China's thirst for natural resources which is driving the development of the Sino-Australian economic relationship. In 2008, the total value of China's merchandise imports from Australia was US\$37.4 billion, 90 percent of which were natural resources and agricultural products such as iron ore (US\$22.45 billion), aluminium (US\$1.46 billion), manganese sand (US\$1.19 billion), copper ore (US\$1.1 billion) and wool (US\$1.3 billion) (China Commerce Yearbook Editorial Committee 2009: 423). This is not necessarily surprising given that Australia is endowed with abundant natural resources, with, for example, more than 70 kinds of mines, of which six or seven are the richest of their type in the world.

China is now Australia's biggest customer for energy sources/exports, increasing its share from 4.5 percent of the market in 1995 to 26.3 percent in 2009. In recent years, the scale of cooperation in Sino-Australian energy and mining has been expanded continuously from traditional iron ore, sand, aluminium, coal, and so on, to clean energies such as liquefied natural gas (LNG) and coal bed methane (CBM). In 2002, companies in the two countries signed contracts for LNG exports to Guangdong Province, the first contract valued at AU\$25 billion. In 2009, they signed a contract involving Gorgon LNG amounting to 2.25 million tons and valued at AU\$50 billion. In 2010, the two sides signed a contract involving the Curtis Company of Australia LNG amounting to 3.6 million tons and valued at AU\$44 billion. The cooperation in exploiting and utilising CBM by companies in the two countries has also advanced smoothly (Hong Kong and Foreign Medias Report 2009).

In 2009, China was Australia's largest market for iron ore, accounting for 72.4 percent of all Australian iron ore exports, or AU\$21.7 billion. Export values have increased by an average of 41.8 percent per annum since 1999, while export volumes have increased by 25.7 percent on average. The increase in demand for iron ore by China is due to the large increase in Chinese steel production, which has risen from just over 120 metric tons in 1999 to 568 metric tons in 2009, and accounts for 46.6 percent of world steel output. Over the past 10 years, Australia has been the largest source of imports of iron ore by China and accounted for 40.1 percent of total Chinese imports of iron ore (to 2009). It was reported by the *Australian* on 31 March 2010 that Gindalbie Metals in Australia has signed an iron-ore contract with Anshan Iron and Steel

Works in China valued at AU\$71 billion (Tasker 2010). Records of the sales of Gindalbie show that they will sell the lifelong exploitation of Karara magnetite, located in central Western Australia, to Anshan Iron and Steel Works, and it predicts that the annual output in the next 30 years will be 30 million tons. This project began construction at the end of 2009, and the first exports to China are expected from the second half of 2011 (*ibid.*).

The Australia–China economic relationship is set to be further bolstered by greater flows of Chinese investment to Australia. In the short term, these flows will likely be an escalation of the type recently seen in the natural resources sector that have been prompted by the Chinese government's Go Abroad Policy. It indicates that Chinese direct investment has been heavily concentrated in just two sectors—real estate, and mineral exploration/development and resources processing. Although Australia has received tremendous interest in trade with China in the mineral and farm sectors, it has also suffered losses in other sectors such as textiles and clothing manufacture, auto parts and tyre manufacture, and some fruit and vegetable products. Chinese exports of these goods to Australia have eaten away at the domestic market share of Australian producers. At the same time, particularly in the services sector, the Chinese market is heavily protected.

The high interdependence of the Sino-Australian economic relationship has increased the sensitivity of each to policy shifts made by the other. Such shifts have tended to limit each country's room for choice on policy and this has led to the dilemma of mutual dependence. First, as the major sector of Sino-Australian economic cooperation, the energy industry in particular has been protected by national policy in Australia. The failure of Chinese state enterprises to purchase a share of the Australian energy industry is both directly and indirectly related to the Australian government's considerations of national security. One example was the 2009 case of Chinalco's attempt to purchase Rio Tinto. Largely due to delaying tactics of the FIRB, an investment initiative of almost AU\$20 billion failed.

Second, the energy industry provides the Australian government with a large amount of tax and financial income. Simultaneously, it brings with it a powerful interest group, which exerts great influence on the Australian political system. Former Prime Minister Kevin Rudd had planned to impose a 40-percent energy tax. This resulted in volatile resistance by energy enterprises and became a major pretext for opposition party attacks that contributed significantly to his fall from power. Once the new tax was implemented, not only would the Australian energy industry lose income, but also Chinese import companies would bear the transfer of costs from the rising price of products.

Third, China's rapidly growing demand for energy inflates its dependence on Australian energy products. However, this kind of dependence is unequal; it is very likely to be a 'trump card' for Australia's dealings with China. As pointed out by Geoff Raby, the Australian Ambassador to China:

China's heavy reliance on Australia's mineral and, increasingly, energy resources is a significant national asset for Australia in our diplomatic dealings with China. It gives us a level of influence well beyond our size in terms of population or geo-strategic importance (Raby 2010).

Moreover, individual Australian energy export interests have made use of disorder in the Chinese market which has fuelled malignant competition in its domestic industry. Essentially, the Rio Tinto incident is a typical case where commercial competition became highly politicised, and it revealed the high sensitivity in the Sino-Australian interdependent relationship. The Chinese government has been compelled to employ judicial procedures to sue Australia's Rio Tinto representative in China for obtaining highly sensitive commercial intelligence by unfair means. The causes and effects of the Rio Tinto case show completely how the power game is played as the two sides take advantage of the transitory unsymmetrical predominance formed during interdependent times to put pressures on each other.

The vulnerability dimension of interdependence rests on the relative availability and costliness of the alternatives that various actors face (based on policy changes). The vulnerability of interdependence could be taken to explain the economic relationship between countries, but it is more appropriate to interpret it as a political security relationship. We find that the vulnerability of political security in the interdependent Sino-Australian relationship is particularly obvious. It is a natural phenomenon in the international political sphere that differences appear between countries when they hold opposing strategic objectives. Historically, due to the gaps between China and Australia, each of them respectively came to hold dominant national values and social systems; their different geopolitical strategies in particular leading to differences, competitions and even conflicts amidst both sides in searching for strategic advantage would likely lead to a security dilemma.

Whilst Australia came to enjoy Chinese trade bargains and shared a surging bonus from Chinese economic growth, China—still persisting in a communist ideology that dominates its values and social system—has grown as an Oriental superpower. This cannot but make Australia—as a capitalist 'middle power' accustomed to Western predominance—feel upset. As the Sino-Australian economic relationship constantly strengthened, especially after China surpassed Japan to become Australia's leading trade partner, it was the first time in Australian history that its major trade partner was not a member of its 'friendly' alliance system (which in the recent past has included Britain, the United States and Japan, in turn). This has made Sino-Australian relations very complicated and delicate.

Australian mainstream 'realist' scholars consider that Chinese economic development certainly will accelerate its national defence modernisation, which could lead to an imbalance in regional strategic power. How Australia can reconcile its security alliance with the United States and its increasingly

important economic relationship with China has become the main foreign policy challenge for Canberra. As one expert has noted:

It is common in Australian strategic analysis to conceive of deadly Chinese–US strategic competition as inevitable and that this must provoke a nightmare choice for Australia between its security relation with the US and its booming economic relationship with China (Sheridan 2006: 196).

On the one hand, Australia has to bear responsibilities as an ally of the United States; on the other hand, it also must avoid provoking China. Australia must positively contribute to establishing a steady and constructive China–United States–Australia triangular relationship. Some scholars frankly point out that how to cope with a booming and rising China has become the most essential challenge to the Australia–New Zealand–United States alliance since it was founded half a century ago (Tow and Hay 2001). Australia has to properly reconcile its contradictions concerning its own geographic and economic benefits in Asia, and its historical and cultural affinities with the United States. During this process, Australia must formulate a successful policy that does not alienate either Beijing or Washington, as this will influence Australian national security in the next decade. Canberra should adhere to well-thought-out decision making towards both, so as to ensure its best advantage. On important strategic problems, Australia should maintain long-term structural dialogue and consultation to avoid criticism in any conflict between China and the United States.

With regard to national defence policy, Australia has particularly enhanced its security towards China. In the spring of 2009, Australia published a new Defence White Paper that clearly identified a ‘rising’ China as the driver of uncertainty in the Asia-Pacific region, and envisaged a scenario in which China would become a strategic adversary. The White Paper fully exaggerated the ‘China threat’ and claimed that Chinese military modernisation worried neighbouring countries. Along with the maturing military power of countries like China, it proposed that the Asia-Pacific is likely to experience conflict in the next 20 years. It still emphasised that the United States is Australia’s indispensable ally. In order to cope with the uncertainty surrounding China’s rise, the White Paper noted that Australia will likely invest in excess of US\$70 billion to improve armaments in the next 20 years, including doubling the number of submarines to 12, the addition of 100 F-35 battle planes, and the purchase of eight new model frigates and three more destroyers (Australian Government Department of Defence 2009). The ‘China threat’ statements in the text revealed the uneasiness within Australia about the possible structural change of the international system that may take place with China’s rise. Australia’s distrust towards China makes it very difficult to build even a tacit fellowship on strategic cooperation. It illuminates the point that the deepening of bilateral economic interdependence does not necessarily generate political

trust or strengthen community awareness. This is similar to the Sino-Japanese relationship, which has long been perplexed by ‘a cold political relationship, but hot economic relationship’ (Yu 2010). Due to the enhanced integration of the bilateral economies, the decision-making cost of betraying the other increases, thus interdependence becomes more and more fragile.

Institutions dealing with Sino-Australian interdependence

According to interdependence theory, by creating or accepting procedures, rules or institutions for certain kinds of activities, governments regulate and control transnational and interstate relations. As one mainstream Australian scholar has argued:

As a small, wealthy country with no natural region, Australia could only benefit from multilateral institutions’ taming effect on the law-of-the-jungle international system and the greater voice they provided for smaller states. As Asian states became richer and stronger, they would form increasingly cohesive and effective regional institutions. In order to avoid being left on the outside, Australia had to be in such associations from the beginning. To be an effective regional player, Australia had to adapt to Asian ways of diplomacy while transforming itself from within: reconciliation, the republic, multiculturalism (Wesley 2007).

Currently, institutions for Sino-Australian cooperation are distributed among three different levels: global, regional and bilateral (see Table 4).

At the global level, China’s gross economy now ranks third in the world and Australia’s fourteenth. Their aggregate gross economies total more than US\$5 thousand billion (Department of Foreign Affairs and Trade 2009), and they

Table 4. Main institutional frameworks between China and Australia

Institutions		China	Australia
Global	United Nations (1945–)	✓	✓
	World Trade Organization (1995–)	✓	✓
	Group of 20 (1999–)	✓	✓
Regional	Asia-Pacific Economic Cooperation (1989–)	✓	✓
	ASEAN Regional Forum (1994–)	✓	✓
	East Asia Summit (2005–)	✓	✓
	Shanghai Cooperation Organisation (2001–)	✓	×
	Australia, New Zealand, United States Security Treaty (1951–)	×	✓
	Pacific Islands Forum (1971–)	×	✓
Bilateral	Ministerial-level dialogue (2007–)	✓	✓
	Human Rights Dialogue (1997–)	✓	✓
	Australia–China Council (1978–)	✓	✓
	Free trade agreement (negotiation 2005–)	✓	✓

obtain many mutual benefits from their relationship. Recently, both sides have held the same or close positions with regard to climate change, peaceful nuclear energy, nuclear non-proliferation, counterterrorism and financial stabilisation.

At the regional level, the main cooperation frameworks having both Australia and China as members include Asia-Pacific Economic Cooperation (APEC), the Association of Southeast Asian Nations Regional Forum (ARF) and the East Asia Summit (EAS). Among these, APEC, founded by Australia in 1989, has had China, Chinese Hong Kong and Chinese Taipei as members since 1991. The main aims of APEC are regional trade liberalisation, facilitation and economic technology cooperation. Based on the Association of Southeast Asian Nations (ASEAN), the ARF is a main dialogue mechanism to discuss Asia-Pacific security issues. Both China and Australia were founding members in 1994. The ARF has played a constructive role in regional countries' confidence building and the prevention of non-traditional security crises. The EAS is a higher version of the ASEAN Plus Three mechanism, with China and Australia as full members. The future target of the EAS is to construct a pan-East Asian community.

At the bilateral level, since formal diplomatic relations were established in 1972, China and Australia have reached a series of agreements in the areas of politics, economics, military affairs, culture, education, and so on, which have set the foundations for their relationship. The main frameworks are the Sino-Australian human rights talks, a Sino-Australian ministerial-level dialogue mechanism, as well as the free trade agreement (FTA) negotiation process. According to one scholar's study, building the Sino-Australian FTA has many advantages: Sino-Australian resources can be better deployed to meet resource demands such as agricultural products, minerals and energy linked to Chinese economic growth, satisfying Australian needs to enlarge overseas markets. Thus, both sides would benefit quite a lot, especially when viewed in the long term. Chinese welfare will increase US\$0.856 billion and Australian welfare will rise US\$0.72 billion by the end of 2010 (Zhang 2007: 124–5). At present, Sino-Australian FTA negotiations have almost concluded, with hopes that an agreement could come soon. It makes very important and instructive sense to eliminate bilateral economic and trade disputes, even to a small extent. This would have significant effects on easing Sino-Australian sensitivities and strengthening their fragile interdependent relationship. Although the institutions mentioned here have made considerable contributions to fostering Sino-Australian relations, there is still much work to do in improving both their strength and efficiency. And although these institutions could to some extent alleviate sensitivity and vulnerability, and reduce the dilemma of interdependence between China and Australia, differences in the national interests, politics and values of the two states will continue to be occasionally troublesome.

Conclusions

The Sino-Australian relationship is a complicated interdependence shaped by many factors such as, for example, security structure, value systems, as well as the distribution of economic benefits.

First, it is strategic divergences that have sometimes made Sino-Australian relations unstable. China is a rising global power, while Australia is a leading middle power in the Asia-Pacific region and tends to maintain a status quo. China's rise certainly will alter the Asia-Pacific's geopolitical and security structures in the future. To some extent, this may do damage to the long-term Western dominance from which Australia has benefited. The phenomenon is that both cooperation and competition in Sino-Australian relations reflect the universal law of international political power transfer processes. Second, the 'politicisation' of ideological/cultural differences between the two countries has also caused great tension. China is a socialist country with Oriental values, while the Australian system is a parliamentary democracy with Christian values. They have different perceptions on human rights, freedom and democracy. Third, the tendency of both countries to seek relative gains results in competition. On the one hand, Australia provides China with stimulus and energy for its booming economy, while Australia gets considerable profits as well. On the other hand, we cannot rule out the possibilities that both sides have the intention of taking advantage of their relative stronger position in certain spheres of their relationship as a bargaining chip over the weaker one. The closer the interdependence of both countries is, the less flexibility there is for adjustment of the policy space—such is the dilemma of interdependence.

In order to break through any sensitive and fragile dilemmas in the interdependence process, both countries should firstly further build mutual political trust. They should truly be tolerant and understanding in order to fully know their counterpart's reasonable concerns and core interests. A healthy and smoothly developing Sino-Australian relationship is not only better for China's peaceful rise, but is also good for Australia and a key condition for stability and prosperity in the Asia-Pacific during this century. As the Chinese Ambassador in Australia, Zhang Junsai, hopes (Embassy of the People's Republic of China in Australia 2009), with equality and mutual trust in politics, complementarity in economics, mutual respect of cultures, and coordination and cooperation in regional affairs, a comprehensively cooperative Sino-Australian relationship would be a great example for countries with different political systems, cultural backgrounds or development levels to pursue harmony and common development.

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