

A new China narrative for Australia

Submission by Michael Humphreys

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The next-to-final draft China narrative is a welcome intervention into the Australia-China relationship discourse within Australia. In developing the comments below I have drawn on my experience of living and working in China for the past five years as a partner in an international consultancy. In this role I led a team focused on supporting China's leading state-owned and private companies with risk and opportunity management for major investments and projects including the Belt and Road Initiative. I retired from the partnership at the end of 2018 and have co-founded a new company in Australia focused on providing risk management for Chinese and Australian organisations contemplating cross border investment.

- **Introduction:** Paragraph 5 on page 1 emphasises that Australia and the PRC are very different societies with different legal systems, interests, values and world views. This is true, but given the potentially wide audience for the narrative, there is value in also identifying commonalities with the PRC and its citizens. The entire list of Australia's interests applies to the PRC including the desire for prosperity, a clean environment and peace. Additional commonalities would include strong family and community bonds. President Xi often uses the phrase 'building a community of common destiny' to justify Belt and Road Initiative projects. Although not everyone believes that this is being applied equitably by China, the theme resonates in many areas of the world and the concept presents an opportunity for a common start point with China. China also has interests and culture that Australia should aspire to, such as its entrepreneurial spirit. Finally, Australia's China narrative should be a subset (admittedly a big subset) of an overarching international relations narrative. Greater emphasis on this in the introduction would assist with context and balance.
- **Prosperity and maintenance of lifestyle:** My consultancy experience has given me insights into China's emerging alternate sources of raw materials, services and trade routes. Increased connectivity with Russia, Central, South and Southeast Asia in particular through road, rail, pipelines and networks of airports and associated infrastructure could compete with Australian products in future. China is increasingly becoming confident in the quality of its own universities which may lead to a drop in the number of full fee-paying students attending Australian universities. Although keeping Australia competitive is mentioned in this section, I believe greater emphasis should be given to emerging competitors and our need to drive innovation (including collaborative innovation) in order to remain competitive. Market diversification should also be emphasised as a hedge against loss of Chinese markets.

- **Environment:** This is one area where Australia could encourage China to use its influence to assist other nations to improve environmental standards.
- **Mutually agreed set of rules:** I agree with the thrust of this section and my experience with senior executives in PRC state-owned enterprises, government departments and private companies indicates that a desire for collaboration sits at the heart of Chinese business culture. There are cultural differences in the way Chinese and Australians approach problem solving and deal making which, when understood, make agreement more likely. Power and accountability flow differently in PRC organisations and specific mention of this alongside the need for more Australians to master Chinese language skills would add to this section. Australia needs to increase the points of engagement with Chinese counterparts across the full spectrum government, business and cultural organisations in order to strengthen and further develop fair rule setting and enforcement organisations.
- **Peace, independence and masters of our own house:**
 - Maintaining an independent foreign policy while building and maintaining alliances and continuing to engage China will present many contradictory challenges that are likely to make clear strategy formulation difficult. Australia's best approach may be to proclaim loudly to China (and the United States) that we will make choices in our own interest. If we are open about this it is more likely to be accepted.
 - Strengthening diplomacy and cultural engagement including sporting diplomacy should also be used to build trust with China.

Finally, China is not monolithic. Beijing does not control all aspects of life in China and relationships at provincial and local levels matter. Strong relationships within regions can assist positive engagement in Beijing. Australia needs to make greater efforts to build these relationships at government, business and community-to-community level.

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