

# There's a way to ease tensions with China that would be a win for the Australian economy

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Australia's higher education and tourism service sectors, crucial to our economy's diversification from resources, were dealt double whammys in the 2021 budget. They were given no specific funding support and must contend with the assumption of closed borders until mid 2022.

If we lived in a fantasy world where there was no politics, there is a clear solution: we should soon open our borders in a controlled way to students and tourists from a small group of low-risk countries. Importantly, this group should include China. China's rate of infection is close to that of Australia. It has had less outbreaks from its draconian quarantine system than Singapore and Japan. And, crucially, it is Australia's largest source of students and tourists by a staggering margin.

Students from China comprised about 30 per cent of international students in 2019, significantly more than the next three source countries combined being India, Nepal and Brazil. Ominously, almost all the revenue universities generate from international students is spent on funding future-focused, strategic Australian research.

In the inbound tourism industry, China was not only our largest source of tourists by number in 2019, but Chinese tourists also spent more here (\$12.4 billion) than tourists from the next five biggest source countries combined. While exhortations to diversify are sensible, there is simply no easy substitute for the scale and wealth of students and tourists from China.

The question, however, is whether China's government will block students and tourists from coming, given the free-falling political relationship. If our Prime

Minister were to announce a border opening by saying: “We are opening in a safe way to these countries because they have managed the virus well”, that would be profoundly face-giving to China’s government and might go some way to being a circuit-breaker for rising tensions. Importantly, it would be neither confected nor a capitulation to the CCP’s economic intimidation. It would be based on fact and in clear advancement of Australia’s interests.

Unfortunately, however, we don’t live in a world without politics and this is all very unlikely to happen. China’s students and tourists are already being encouraged to go to other destinations like Canada and Britain where borders are open to students. Ironically, our Five Eyes security partners are also our main competitors in international education. The consequences are profound and depressing: the long-term destruction of powerhouse Australian industries, relationships and trust built over decades, and devastation to Australian institutions, employees and their families.

To say that this is all necessary to defend our sovereignty is disingenuous. Our sovereignty and national security are directly related to our economic prosperity. We have clout in the world because we are still the world’s 14th largest economy. Should our economy falter, or should we fail in discovering new drivers of long-term Australian prosperity that are aligned to a low-carbon world, our global influence and sovereignty will suffer. It is our profitable trade with the PRC over the past 30 years that has buttressed this sovereignty. Put starkly, it is the money we make from our profitable trade with the PRC that pays for the military hardware that our Defence Minister says we need to defend us from the PRC.

What is jarring is the deep contradiction between Australia’s global approach to China and our approach to climate change. The political logic for our flaccid stance on climate is that we should not lead because of our size, and the resource-intensive nature of our key industries would expose us to indefensible economic pain. With respect to the PRC, however, our logic is the exact opposite: that if we lead with sufficient resolve in standing up to the CCP, we will inspire other like-minded nations to follow and the economic pain we wear as a badge of honour.

Behind this contradiction is of course politics and populism. We must move beyond a narrow and jingoistic definition of national interest that equates it solely with national security. Of course we must defend our security and sovereignty against actions from the CCP that are contrary to our interests and values. However, we can do so without destroying our relationship with our

largest economic partner, just as other democracies have done. We must not proudly cut off our nose to spite our face.

The loss of international students will not only devastate the higher education sector and peripheral industries, but will also leave Australian research defunded, jeopardising its critical role in transitioning and future-proofing the Australian economy. The loss of inbound tourism will decimate a vibrant small business ecosystem whose national scope and grassroots nature is difficult to replicate elsewhere. If Australia continues to lead globally on unnecessarily provoking the PRC where we have profound structural vulnerabilities, while simultaneously lagging in pursuing meaningful climate change action and low carbon transformation where we have natural advantages, we too will suffer a double whammy that is entirely self-inflicted.

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