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THE AUSTRALIA-CHINA COMMISSION: A PRELIMINARY PROPOSAL

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The Australia–China Commission: a Preliminary Proposal¹

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Overview

In this paper we elaborate on a proposal for the establishment of an Australia–China Commission (‘the Commission’) — or the *Aodalīya–Zhongguo Weiyuanhui* (in Chinese) or, in short, the *Ao–Zhong* Commission — recommended in the Australia–China Joint Economic Report, for which we were jointly responsible². We suggest that, given the unique nature of the relationship between Australia and China, this initiative would provide important infrastructure in husbanding and developing the relationship between Australia and China over the years ahead.

We suggest that the Commission should appropriately be an independent bi-national organisation that administers government, political, academic, business, community and cultural exchanges between Australia and China. The Commission would be established through a bilateral treaty, with core funding from the Australian and Chinese governments. It will also invite academic institutions, business, community foundations, prominent individuals and sub-national governments to sponsor specific bilateral programs through the Commission.

We understand that this is a significant initiative, although it is one that we believe will be widely and warmly welcomed in both our countries. It is an initiative that will, of course, require careful work together by both governments so that they may settle on the best arrangements for its implementation. They will also need to consult extensively in that process. However, these are not reasons to delay this work: it is a recommendation simply to do that work thoroughly.

We offer these thoughts, therefore, as an initial guide to the work that will have to be done if both our countries are to benefit fully from the establishment of this Commission.

The Commission is critical to strengthening and deepening Australia–China bilateral ties over the coming decades. As the Australia–China economic relationship leaves the commodities boom behind and embraces a more complex range of exchanges that include services, technology and investment, both countries will increasingly need the bi-national cultural literacy and professional networks necessary for high-level collaboration across these fields. Not only the nature of the new economic relationship but also the scale of the interaction with China politically — , bilaterally, in the region and globally— demands a commitment to build lasting associations between the peoples of Australia and China.

The Commission will help to achieve this goal by fostering, implementing and managing an ambitious agenda of bi-national investment in human capital. Its programs will involve linguistic capacity-building, multi-level scholarly exchange, official-level cooperation, political interactions, high-level business engagement, and carrying forward the work agenda of the Australia–China Joint Economic Relations Report (‘the Report’). Moreover, the process of establishing the Commission will support the Report’s recommendation that both sides strengthen their political relationship through working together towards a comprehensive bilateral treaty framework and a new level of international cooperation.

¹ We are much indebted to Tangerine Holt for advice on the work of the Australian–American

² Peter Drysdale and Zhang Xiaoqiang, *Australia–China Joint Economic Report: Partnership for Change*, ANU Press, August 2016.

The Context

The Report represents a common response to a critical moment of far-reaching economic and political change for both Australia and China. It is a unique opportunity for the two countries to define how they will shape the future course of their relationship in a deliberate way, establishing some common reference points for ongoing collaboration.

The Report is the first major independent joint study of the bilateral relationship. It has support from both governments, from key economic ministries and agencies on both sides, as well as from sub-national governments, key research institutions, business leaders and community leaders.

The Report was guided by a distinguished Group of Experts and authored by leading researchers in both Australia and China. It draws policy conclusions to guide the future development of bilateral economic relations.

The Report begins with the observation that there is no more important economic relationship for Australia than the one it has with China. Australia's growth trajectory and livelihood in the 21st century has been and will continue to be importantly linked to China's enormous economy and its ongoing economic transformation. For China, Australia is a strategic source of industrial raw materials and a range of advanced inputs — from education to quality foodstuffs — for national development, as well as an important partner in shaping the evolution of regional and global governance. There is no economic or geopolitical future that would not be improved by China's sustained and upgraded economic growth.

The future direction of Chinese growth will be very different from that over the past four decades. The forces of change that have unleashed a wave of consumption growth are affecting the relationship with Australia profoundly. Economic reform and liberalisation can deepen change in the structure of the Chinese economy and, while these changes imply lower reliance in Australia on the resource sector for economic growth, there are significant opportunities for growth in agriculture, value-added manufacturing, investment, finance, healthcare, education, tourism and other services. But capturing the opportunities from these changes will not be an automatic process. It will require substantial repositioning of policy and commercial strategies by both countries and the development of a still closer and higher-level relationship.

The scale and significance of the bilateral developments that are now taking place — especially in China through its progress towards a high-income economy and closer financial integration with the world — recommend deeper bilateral institutional arrangements between Australia and China. These arrangements would build on existing bilateral frameworks, including in the areas of trade, investment, tourism, people movement, science and educational exchanges, with bold new bi-national initiatives. They will need to be directed at capturing the opportunities in the relationship, and managing the risks and processes that are an inevitable consequence of large-scale economic and social change.

Australia and China should aspire to a relationship of the high level and scope that was established during the foundational period of bilateral economic ties in the 1980s, when both agreed on a 'model relationship' for cooperation between countries with different cultures, different social systems and at different economic stages of development. The enormous transformation of China's growth model

and the impact that this is having on the Australian economy calls for the elevation and calibration of their partnership to achieve these goals.

Conclusions of the Report

The Commission is part of a wider-ranging forward work agenda set out in the Report. The Report concludes that the opportunities and risks inherent in the economic transformations that Australia and China are currently undergoing call for a significant upgrading of the institutional architecture for their bilateral relationship.

There are significant untapped opportunities to increase two-way bilateral trade, investment and financial integration, and increase bilateral cooperation on regional and global issues. There are also many opportunities for extending our cooperation in regional and global affairs. Realising this potential will be important for the long-term economic and political security of both countries.

The risks in the bilateral relationship are of three major types: commercial risks; macroeconomic risks; and system difference risks. Commercial and macroeconomic risks require the adoption of normal business strategies and policy capabilities to avoid or ameliorate their cost. System difference risks are structural and subject to change over time. They are more complex to mitigate, requiring political as well as business leadership in order to frame strategic arrangements for the conduct of the relationship.

These opportunities are best realised and these risks are best mitigated through political leadership on both sides that mobilises bi-national programs to advance priority interests and work through issues in the relationship. This provides impetus and a unifying vision that is key to commanding the attention and focusing the resources of the official and private sectors.

A major conclusion in the Report is that Australia and China should upgrade their bilateral relationship from a 'Comprehensive Strategic Partnership' to a 'Comprehensive Strategic Partnership for Change'. This unique categorisation of the Australia–China relationship would signal bilateral commitment to staying ahead of the curve in implementing critical economic reforms and key policy initiatives. It also recognises the exceptional opportunity for China to work with the smaller-scale yet more developed Australian economy to pilot internationally oriented reforms that build a platform of continued engagement. This partnership would promote change through the achievement of joint goals in the bilateral relationship and forge common priorities and initiatives on regional and global issues through the annual leaders meetings and parallel ministerial mechanisms.

In the longer term, Australia and China should work to develop this new partnership into a comprehensive bilateral framework treaty that: embeds frequent high-level political dialogue; institutionalises official bilateral exchanges and technical cooperation programs between all ministries and branches of the military; pools approaches between federal–state governments in Australia and central–provincial governments in China; and provides for the comprehensive setting of strategic bilateral objectives and a forward work agenda every few years. The treaty framework would embrace the China–Australia Free Trade Agreement, the treaty that would establish this Commission, and all other agreements between the two countries.

The Commission will be both a driver and a vehicle of these developments in the relationship. It will drive the accumulation of bilateral institutional knowledge, human capital, intellectual leadership and networks that are needed to manage the new dimensions of Australia–China economic relations and take them to the next level.

Precedent

The model for the Commission is drawn from the Australian–American Fulbright Commission (AAFC), which

was established by Australia and the United States after World War II. The Fulbright program has played an important role in consolidating the research and scholarly exchange dimension of the Australia–US bilateral relationship. It was founded under the first official treaty between the Australian and US governments. Signed in 1949, the Fulbright Treaty came two years before the better-known ANZUS Treaty.

The AAFC ‘promotes education and cultural exchange between Australia and the United States’. It manages a bilateral exchange scholarship program for postgraduate students, postdoctoral researchers, senior scholars and distinguished chair professors. Through these activities, the AAFC aims ‘to enhance mutual understanding and strengthen relations between the two countries’³.

The AAFC is a bi-national non-profit organisation. It is governed through an independent Board of Directors consisting of five Australians and five Americans. The Australian Minister for Education and Training appoints Australian Directors under the delegated authority of the Australian Prime Minister, and the US Ambassador to Australia appoints American Directors. The Prime Minister and the US Ambassador serve as Honorary Co-Chairs of the Commission.

The AAFC operates an open funding model. Its principal sponsors are the Australian and United States governments. But it receives funding from academic, corporate, individual, institutional and state government partners to run scholarship and exchange programs across a range of scholarship categories — Distinguished Chairs, Senior Scholars, Professionals, Postdoctoral and Postgraduates. The AAFC’s core endowment funds exchanges across a broad range of academic disciplines, and its sponsored scholarships are directed at specific academic disciplines or particular target groups. In 2015, the AAFC reported revenues of A\$3.15 million, expenses of A\$3.14 million and net assets of A\$12.0 million.

The Australia–China Commission can use the AAFC as a model in the development of its organisational framework, but its scope will be significantly broader. The vision of the AAFC is to ‘be the leading scholarship program’ between Australia and the US, whereas the vision of the Commission will be to administer not just academic and research scholarships but also a full range of bi-national policy, research, scientific, technology and cultural exchanges between the two countries. Thus, the Commission will require its own unique governance structure.

Need for Evolution

The Commission fulfils an unmet need in the bilateral relationship. While there are already several important government and non-government organisations and individuals dedicated to improving Australia–China ties, there is no single entity that is both bi-national and comprehensive. The Commission will have the depth and breadth to build, to lead, to develop, to bring together and to consolidate knowledge through bilateral leadership and research initiatives that are evidenced-based, timely and relevant. However, the Commission will not supplant the role of established national bodies for the promotion of bilateral exchanges; it will complement their work.

There is a range of existing official partnerships between Australia and China. For instance, there are annual dialogues between the Australian Treasury and China’s National Development and Reform Commission, between the Reserve Bank of Australia and the People’s Bank of China, between The Australian National University and the Central Party School, and between the Australia and New Zealand School of Government and the Organisation Department of the Chinese Communist Party. These are important and beneficial exchanges that enhance familiarity between partner institutions.

³ See Australia-America Fulbright Commission website: <http://www.fulbright.com.au/>

Institutionally, the Australia–China Council (ACC), established by the Australian Government in 1978 with the Secretariat located within the Department of Foreign Affairs and Trade (DFAT), plays an important role in fostering bilateral cooperation and people-to-people relations by funding Australia–China initiatives that broaden and strengthen Australia’s engagement with China, Hong Kong, Macau and Taiwan in the priority areas of economic diplomacy, education, and arts and culture. The ACC has also been at the forefront of establishing private sector linkages to support Australian Studies through the creation of the Foundation for Australian Studies in China (FASIC), which supports the BHP Billiton Chair in Australian Studies at Peking University, along with a network of over 30 Australian Studies Centres in China.

In education, a signature initiative of the Australian Government is the New Colombo Plan, which aims to lift Australian knowledge of the region, including China, by supporting Australian undergraduates to study and undertake internships in partner countries, including China. The New Colombo Plan involves a scholarship program for study of up to one year plus internships or mentorships, and a flexible mobility grants program for both short and longer-term study, internships, mentorships, practicums and research.

Additionally, Chinese Government Scholarships, China’s Confucius Institute Scholarships and Programs, and Australia’s Endeavour Awards offer qualified foreigners the opportunity to study in each country. Yet these do not have a specifically bilateral focus.

Notable contributions from the private sector to the promotion of Australia–China educational exchanges include the BHP Billiton Australia China Scholarships, the Foundation for Australian Studies in Australia and the Westpac Bicentennial Foundation Asian Exchange Scholarships.

In the area of youth exchanges, the two countries have developed valuable bilateral organisations that connect young Australians and young Chinese across disciplines and across linguistic divides. The Australia–China Youth Association (ACYA) is a volunteer organisation that promotes bilateral youth engagement and provides community, careers and education services for over 5000 Australian and Chinese students and young professionals across more than 20 chapters in both Australia and Greater China. The Australia–China Youth Dialogue (ACYD) is a marquee annual event that brings together emerging Australian and Chinese leaders from different fields to forge long-term professional networks and collaborations. The Australia–China Young Professionals Initiative (ACYPI) is the premier platform for young professionals in Australia and China to engage with the most significant issues of the bilateral relationship.

Australia–China business dialogue is primarily driven through the Australia–China Business Council in Australia and the Australian Chambers of Commerce in China. These organisations are committed to advancing business and trade between Australia and China. They do so through lobbying governments to remove barriers to bilateral commerce, providing business introductions and networks for members in both countries, and maintaining research programs that feed into events, advocacy and publications.

There are dedicated high-level business dialogues in the Australia–China CEO Roundtable, which held its first meeting in 2010, and the Senior Business Leaders Forum. The Roundtable meets on the side of leader-level state visits and discusses possibilities for deepening bilateral trade and investment. The CEO Roundtable has to this point lacked a secretariat or inter-sessional pursuit of agendas for enhancing cooperation. The Business Council of Australia and their Chinese counterpart, the China Development Bank, are seeking to build this infrastructure for business collaboration.

There is also a wide range of Australia–China initiatives that are sponsored by particular companies with a commercial interest in the bilateral relationship. Huawei Corporation, for example, currently sponsors political, community, education and research exchanges, as does the Australia China Relations Institute at the University of Technology in Sydney. These instances of good corporate citizenship are to be encouraged, but in the popular consciousness they are frequently perceived as self-interested instruments of hard-edged business calculations. The Commission will offer the opportunity for such philanthropy to be cast through a different public interest frame and to identify industry partners that are keen to build and grow in both Australia and China.

The Commission will offer opportunities for Australia and China to promote targeted bilateral exchanges in their joint public interest from an independent and well-funded base. It will be open to collaboration and routine consultations with existing initiatives in good faith to explore all the opportunities available for strengthening bilateral relations.

Structure of the Commission

The Commission should serve as the anchor of bilateral high-level people-to-people exchange. Its aim will be to enhance bilateral cooperation by providing institutional support, fundraising opportunities and a strategic framework for policy, research, scientific, technology and cultural exchanges between the two countries.

Constitution

The Commission should be constituted through a bilateral treaty or agreement between the governments of Australia and China. It will be an independent entity removed from political influence, but will liaise with the Department of Prime Minister and Cabinet in Australia (PM&C) and with the State Council in China. The two governments will each contribute a significant sum to establish an endowment that will serve as the base of ongoing Commission funding (see *Funding* below).

A Board will govern the Commission. The Board will be responsible primarily for advancing the strategy, partnerships and fundraising of the Commission. The Australian Prime Minister and the Chinese Premier will be Honorary Co-Chairs of the Board. There will be one ex-officio Board Member from both Australia and China — the Secretary of the Department of Prime Minister and Cabinet (PM&C) in Australia and the Secretary-General of the State Council in China. The majority of the Board Members will be four Australian citizens appointed by PM&C based in Australia and four Chinese citizens appointed by the State Council based in China. Board Members will be private citizens who are leaders in their fields and who have a proven interest in developing Australia–China relations, with a two-year appointment and a maximum of two appointments.

The Chair of the Board will be rotated every two years between Australia and China, as will the position of Treasurer. The Board will meet twice a year, with one meeting held in Canberra and one meeting held in Beijing. The Board will be responsible for preparing a public Annual Report in English and Chinese on the activities and programs of the Commission. The Commission will be subject to an annual independent audit, which will meet Australian and Chinese standards.

A Secretariat will administer the Commission. A small Secretariat will be responsible for the operations, events, communications and liaisons of the Commission. The Secretariat will have offices in Canberra and Beijing. The Board will approve all Commission staffing decisions. The Board will appoint one CEO for the Commission, who will split their time between Canberra and Beijing and provide unified leadership for the Secretariat and serve as the link point between the Secretariat and the Board. The Secretariat will undertake its responsibilities directly or through outsourcing specific tasks to service providers. While the inaugural Board will make the decision, both The Australian National University and the China Center for International Economic Exchanges (CCIEE) are potential candidates for the initial hosting of the Commission offices.

Funding

The initial funding for the Commission will be derived from a substantial endowment provided in equal parts by the governments of Australia and China. This will guarantee the long-term viability of the Commission's work and support an initial medium-term tranche of programs. While a full evaluation of outcomes and costs will be required in its determination, it is expected that the initial endowment will amount to at least A\$50 million (A\$25 million from each side), yielding an annual income of between A\$3 million and A\$5 million. The endowment will be professionally managed. While both governments will continue to aid the Commission, its expanding suite of programs will largely be based on a 'partnerships' funding model.

The Commission will be able to enter into partnerships with companies, political parties, official agencies, statutory authorities, sub-national governments, universities, research institutions and individuals in Australia and China in mobilising donations and resources for programs of bilateral exchange, education or collaboration that will be administered by the Commission in a manner that is consistent with its aims and Constitution. The Commission will conduct due diligence on the value of proposed programs, but once a program is embedded within the Commission it will become an accredited and impartial public interest initiative.

Activities of the Australia–China Commission

The wide range of activities facilitated through the Commission will fall under one of four crosscutting themes: Policy, Education, Innovation and Culture. Under each theme, programs will be directed towards increasing the evidence base for future exchange.

Policy

The Commission will sponsor policy exchanges that produce future cohorts of political and government leaders in both countries who are familiar with the policymaking dynamics of the other country and have deep personal networks with their bilateral counterparts.

The Commission will support specific, targeted programs of official-level exchange that encompass government departments, the military, regional bodies and multilateral institutions. This may involve professional secondments between Australia and China for particular purposes or projects, policy fellowships in Australian and Chinese research institutes, and joint training programs for Australian and Chinese officials in both countries. These endeavours will be squarely aimed at building long-term, self-sustaining partnerships to promote an ongoing agenda of consultation and collaboration towards mutual reform goals in domestic, bilateral and international policy. Apart from the economic transformation in Australia and China, possible areas of focus might include regional economic diplomacy, multilateral initiatives, political system differences, governance, the rule of law, climate change, energy governance, nuclear nonproliferation, cyber security and counterterrorism.

The Commission could also support programs of exchange between Australian and Chinese political parties that are presently conducted through the Chinese Communist Party's International Department on a project by project basis. Every member and senator in the Australian Parliament, and every member of the Central Committee of the Chinese Communist Party, should have an opportunity to visit the other country to meet with their counterparts and learn about its politics, governance and administration. These visits should be multi-partisan and aimed at forging continuing relationships and ongoing cooperation.

In addition, the Commission will support the National Parliamentary Fellowships Program that will see young Australian graduates spend a semester working in China's National People's Congress, through the agency of Peking University in Beijing, and young Chinese graduates spend a semester working in Australia's Parliament House, through the agency of The Australian National University in Canberra. This Program will be an

unparalleled opportunity to work with top policy institutions and individuals in politics, ministries and research institutes.

The Commission may also house business and economic exchange programs to propel strategic collaboration on economic reform priorities that will help Australia and China to manage their economic transformation. This may include initiatives through the Australia–China CEO Roundtable, the Australia–China Business Council, the Australian Chambers of Commerce in China and the Senior Business Leaders Forum.

Education

The Commission will manage both publicly and privately funded programs of academic exchange between Australia and China that include research and scientific exchanges, undergraduate exchanges, postgraduate degree scholarships, postdoctoral fellowships, senior-level research placements, distinguished chair programs and special visits programs. Through these activities, the Commission will seek to build long-term partnerships and strengthen relations between the research and intellectual communities of the two countries.

The Commission may, for example, support and collaborate with the China Economy Program’s exchanges and high-level conference activities and, specifically, its partnerships with government in policy capacity building between Australia and China.

Innovation

The Commission will encourage high-quality research and scientific exchange that reinforces the Australian Government’s National Innovation and Science Agenda and the Chinese Government’s priority focus on innovation in its 13th Five Year Plan.

The Commission will support high-level educational, scientific and research collaborations between Australia and China. It may fund targeted research scholarship programs for postgraduate students, postdoctoral researchers, senior scholars and distinguished chair professors. These collaborations will focus on STEM disciplines, key areas of Australia–China relations such as economics, law and security, and global issues such as environment and energy.

The Commission may assist in administering and expanding the program of bilateral collaboration on scientific research, technology development and research commercialisation that is currently run by the Australia–China Science and Research Fund with initiatives such as Joint Research Centres, the Australia–China Young Scientists Exchange Program and the Australia–China Science Academies Symposia Series.

Culture

The Commission will foster initiatives that increase cultural understanding between Australia and China, with a diverse program across arts, culture, education, languages, media and sports.

It will seek to increase the pool of Australia and China-literate human capital across Australian and Chinese society by the promotion of language and cultural education at all levels through the formulation of bilateral strategies for cooperation and exchange on language education, the arts, media and community organisations. This can be leveraged through Asialink Arts and national networks for Australian Studies in China and for Chinese Studies in Australia.

It will support the institutionalisation of the thriving bilateral youth culture, which encompasses entities such as the Australia–China Youth Association, Australia–China Youth Dialogue and Australia–China Young Professionals Initiative. These organisations are predominantly run on a part-time basis by teams of volunteers. But, if there was a comprehensive strategy supported by the two governments, the capabilities and services offered in this sector could be strengthened through the attraction of sponsorship and exploring possibilities around the establishment of a full-time secretariat that drives and coordinates an expanded suite of activities and services.

Conclusion

The concept that we have outlined here is an Australia–China (Ao–Zhong) Commission framework that will enshrine bilateral cooperation principles and provide a model for future bilateral collaboration. We offer these thoughts on how those aims and objectives might be achieved for further consideration and development by the Australian and Chinese governments and other stakeholders. Such a framework is a goal to be worked towards in the near term, and our view is that the exchanges which the Commission might support will: cement an understanding of, and commitment to, the relationship; institutionalise bilateral cooperation; and perpetuate both countries' economic reform partnership for change for many years to come.

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