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India cannot cushion the blow if China stumbles now

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Australia and India's strategic and economic interests are converging. So declared a joint statement last week signed by Australia Prime Minister Malcolm Turnbull and his Indian counterpart, Narendra Modi.

This convergence, the statement added, opens up more opportunities for the two countries to work together in a rapidly changing region.

No doubt true.

But amid this newfound enthusiasm, Australian policymakers would do well to keep another truth in mind: Australia's shared interests with India have not converged anywhere near to the point they could provide stability were our relationship with China to go seriously off the rails.

The relationship with China is frequently hard work. This was revealed once again by the recent temporary detention of a UTS academic while conducting fieldwork in China. Nonetheless, with the possible exception of the US, Australia's relationship with China delivers benefits that no other country can match.

If ever a reality check were needed of China's importance to local living standards, last week a report by Deloitte found that if China's growth rate slowed from an expected 6.7 per cent this year to less than 3 per cent it could cost up to 500,000 Australian jobs.

A new survey by the Australia-China Relations Institute lays out the ties between Australia and India as they currently stand, as well as those between Australia and China.

Converging interests have not prevented Australian exports to India falling 31 per cent over the past five years. Meanwhile, despite coming off a much bigger base, exports to China rose a further 21 per cent.

In 2015-16 China bought Australian goods worth \$75.3 billion, a 30.9 per cent share of the total. India's share was just 4 per cent. China also snapped up \$10.7 billion of Australian services, compared with \$3.2 billion by India.

During last week's visit, Prime Minister Turnbull emphasised the benefits that Australia's education sector might reap from closer engagement with India.

This is for good reason: in 2016 India was the second-biggest source country for Australian educational institutions with enrolments totalling 78,128. Yet this was still less than half the 196,052 from China.

Last year also saw Australia welcome 259,000 Indian tourists, an impressive number but again just a fraction of the 1.2 million from China.

Nick Bisley, professor of international relations at La Trobe University, made the simple but stunning observation that there is only one direct flight between India and Australia. Meanwhile, there are more than 30 direct flights from Australian cities to more than a dozen first and second-tier cities in China.

The difference between China and India is even greater when it comes to investment. While the stock of Chinese direct investment in Australia is modest compared with the US, it still amounts to \$35.2 billion. India's stock is just \$896 million.

But what about the decade ahead given India's enormous economic potential?

After all, India's economy grew at the same rate as China's last year and the International Monetary Fund (IMF) is forecasting it will outpace China this year and next.

Yet despite a slower growth rate, the IMF also says that China will still contribute more than double that of India to global growth in 2017. This is because China's economy is much bigger to start with.

And while there are real risks associated with China's economy such as rising debt levels and a lack of progress in reforming state-owned enterprises, India has repeatedly demonstrated it struggles to overcome basic obstacles to development including dilapidated infrastructure and an education system that leaves one quarter of the adult population lacking in basic literacy.

Even in golden areas where Australia will benefit most from a rising Indian middle class, the possibilities are tempered.

Last year Tourism Research Australia said it expected Chinese tourism expenditure in Australia to reach \$34.3 billion by 2025, more than three times greater than now. China will account for a staggering 60 per cent of the growth in spending by visitors from all countries. The share accounted for by India will be just 4 per cent.

In 2015 a report by Deloitte Access Economics forecast that there would be nearly 146,000 Chinese students enrolled in Australia universities in 2025, an increase of around 50,000. The number for India is only expected to increase by about 23,000 and will remain below 60,000.

Echoing Stephen Fitzgerald's Whitlam Oration last month, former foreign minister Gareth Evans told the National Press Club in Canberra last week that to positively influence China's behaviour Australia needs to be close enough to be seen as a genuine 'friend at court'.

In deepening strategic and economic co-operation with India, Australia will also need, as Evans counsels, to give China 'some strategic space of its own'. Even better would be for Australia to actively look for opportunities to reassure China that its strategic and economic rise is also welcomed. Giving serious thought to how Australia might partner with Chinese President Xi Jinping's signature One Belt One Road initiative would be a good place to start.

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