

# China-Australia Economic Relationship

中澳经济关系

Ding Dou



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Nowadays in the account of economics, China is increasingly important to Australia, and vice versa. However, the two sides have lacked adequate and comprehensive researches on this topic, though growing aware of its increasing importance. In 2009, when I was awarded the grant of Australia-China Council to study China's investment in Australia resource sector and its implications of political economy, I first floated the idea to write a book on China-Australia economic relations in comprehensive views. Under the great support of Australia-China Council, I stepped up to get the flavor of what is Australia and what is China-Australia economic links in real senses.

Here I attach the logo of Australia-China Council to express my lasting regards to it.

Fortunately in the summer of 2009, I studied in Centre for China Studies at La Trobe University as a visiting scholar. Professor Pei Likun, Executive Director of the Centre, always offered invaluable advices to me over how understand best Australia and China-Australia relations. Her outpouring of enthusiasm and insights has often encouraged me to keep observing and tracking the dynamics of China-Australia changing economic landscapes.

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----- Chapter 1 -----

# Bilateral Trade before 1979



### **Bilateral Trade before 1972**

In as early as 1788, when three ships from Botany Bay visited Guangzhou, trade between China and Australia started. During more than one hundred years that followed, China-Australia trade stagnated with a small volume.

In 1949, the People's Republic of China was founded. That was a milestone for China-Australia relationship. In initial periods of the People's Republic of China, the foreign trade policy Chinese government sought was self-sufficiency. Given the confrontation of Cold War, for a long time, China was little involved in trade with foreign countries and turned its back to the West. Nonetheless, even in the bleak period until 1972, China had some trade and economic connections with the Western world, including Australia.

Table 1. 1 shows Australia-China merchandise trade over these years between the financial year 1947 – 1948 and 1982 – 1983 according to Australian Bureau of Statistics (ABS). Again Table 1. 2 recounts China-Australia merchandise trade over these years from 1950 to 1979 in light of *China Customs Yearbook* and *China Commerce Yearbook*. In the fiscal year 1949 – 1950, bilateral trade volume was only A\$3.9 million according to Australian source, and in the year 1950, it amounted to only US\$4.62 million according to China's statistics. In terms of Chinese source, the bilateral trade plummeted sharply during the antagonistic years of the Korean War. After the end of the war, the

two-way trade moved upwards gradually and steadily. It peaked at A\$41.1 million and US\$36.55 million respectively in the fiscal year 1959 – 1960 and the year 1959. In early 1960s, thanks partly to the failure of Great Leap Forward movement and the starvation that followed, China began to import by large amounts wheat from the rest of the world, including Australia. In December 1960, China surprisingly gave a big order to import Australian wheat worth US\$50.8 million, which represented one quarter of Australian wheat sales. And since then Australia exported a sizable chunk of wheat China needed. Therefore, the wheat trade became an important component of the bilateral trade and catalyzed the total trade to high levels in the following years.

Wheat instantly came into the limelight in China's foreign trade in the 1960s, during which China purchased four to six million tonnes of wheat annually from Australia, Canada and some other countries, with 40 percent reportedly from Australia. As a result, China's appetite for wheat, accounting for one-third of Australia's total wheat exports for some years, gave rise to the prosperity of Australian wheat industry. Take an example. In the fiscal year 1968 – 1969, wheat production of 14.47 million tonnes in Australia was about three times the average harvest of the previous ten years.

Table 1.1 Australia-China Merchandise Trade by fiscal years in current prices (Australia's source)

Unit: A\$ millions

Fiscal Year	Australian Exports	Australian Imports	Total Trade	Balance for Australia
1947 - 1948	5.5	3.3	8.8	2.2
1948 - 1949	2.9	5.1	8.0	-2.2

## Continued

Fiscal Year	Australian Exports	Australian Imports	Total Trade	Balance for Australia
1949 – 1950	1.0	2.9	3.9	-1.9
1950 - 1951	1.7	5.3	7.0	-3.6
1951 – 1952	0.6	6.2	6.7	-5.6
1952 – 1953	1.4	2.8	4.2	-1.4
1953 – 1954	4.4	4.0	8.3	0.4
1954 – 1955	5.4	3.5	8.9	1.9
1955 – 1956	5.4	4.5	9.9	0.8
1956 – 1957	12.9	4.2	17.1	8.6
1957 – 1958	19.5	6.2	25.8	13.3
1958 – 1959	27.1	7.1	34.3	20.0
1959 – 1960	32.3	8.8	41.1	23.4
1960 – 1961	79.7	7.9	71.8	71.8
1961 – 1962	131.9	7.6	139.5	124.3
1962 - 1963	129.3	11.3	140.5	118.0
1963 – 1964	168.2	16.4	184.5	151.8
1964 – 1965	135.6	22.9	158.5	112.8
1965 - 1966	106.5	23.5	130.0	83.1
1966 - 1967	128.5	26.1	154.6	102.3
1967 - 1968	126.5	23.6	150.0	102.9
1968 - 1969	67.2	29.6	96.9	37.6
1969 – 1970	128.8	32.1	160.9	96.7
1970 – 1971	63.3	31.6	94.9	31.7
1971 – 1972	37.3	41.3	78.6	-4.1
1972 – 1973	62.8	49.9	112.8	12.9
1973 – 1974	162.5	71.9	234.4	90.7
1974 – 1975	247.5	81.1	328.6	166.4
1975 - 1976	219.8	68.9	288.7	150.8

Continued	

Fiscal Year	Australian Exports	Australian Imports	Total Trade	Balance for Australia
1976 – 1977	184.7	103.1	287.8	81.5
1977 - 1978	581.0	113.4	694.4	467.6
1978 – 1979	437.6	142.6	580. 2	295.0
1979 – 1980	845.5	199.6	1045.1	645.8
1980 – 1981	671.2	269.8	941.0	401.4
1981 – 1982	606.2	284.8	891.0	231.4
1982 – 1983	611.9	278.9	890.8	333.0

Note: Owing to changes in classifications over time, the data are not strictly comparable.

Source: Australian Bureau of Statistics (ABS), Australian Exports and Australia Imports, monthly series, various issues

Table 1.2 China-Australia Merchandise Trade (China's source)

Unit: US\$ million

Year	China's Exports	China's Imports	Total Trade	Balance for China
1950	1.25	3.37	4.62	-2.12
1951	0.96	1.97	2.92	-1.01
1952	0.3	0.31	0.61	-0.01
1953	0.72	2.47	3.19	-1.75
1954	1.05	2.8	3.85	-1.75
1955	1.49	6.09	7.58	-4.6
1956	1.7	9.67	11.37	-7.97
1957	3.11	18.68	21.79	- 15. 57
1958	4.782	31.18	35.9	-26.398
1959	5.28	31.27	36.55	-25.99
1960	5.02	21.69	26.71	-16.67

#### Continued

Year	China's Exports	China's Imports	Total Trade	Balance for China
1961	3.88	187.75	191.63	-183.87
1962	7.06	106.19	113.25	-99.13
1963	10.81	245.6	256.41	- 234. 79
1964	18.44	184. 05	202.49	- 165. 61
1965	20.88	214.97	235.85	- 194. 09
1966	21.72	104.46	126. 18	-82.74
1967	24.27	243.3	267.27	-219.03
1968	25.7	121.26	146.96	-95.56
1969	30.64	120.62	151.26	-89.98
1970	31.68	130.34	162.02	-98.66
1971	36.4	22.39	58.79	14.01
1972	46.97	39.46	86.43	7.51
1973	81.86	134.7	216.56	-52.84
1974	112. 19	362.91	475.1	- 250.72
1975	70.12	403.19	473.31	-333.07
1976	89.12	341.74	430.86	- 252.62
1977	100.94	517.87	611.81	-416.93
1978	117.64	715.11	832.75	- 597.47
1979	156.11	985.19	1141.3	-829.08

Source: China Customs Yearbook, and China Commerce Yearbook, various issues, published by China Customs and Ministry of Commerce of the People's Republic of China respectively

Figure 1. 1 and Figure 1. 2 separately chronicles the changing trend of the bilateral trade.

Even allowing for the lack of diplomatic relations before 1972, bilateral trade went ahead largely unscathed, especially in contrast to the

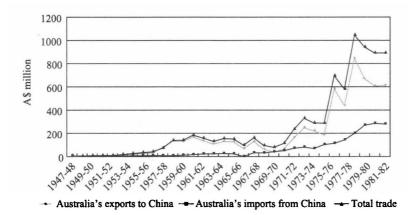


Figure 1.1 Australia-China Merchandise Trade by Fiscal Years between 1947 – 1948 and 1982 – 1983

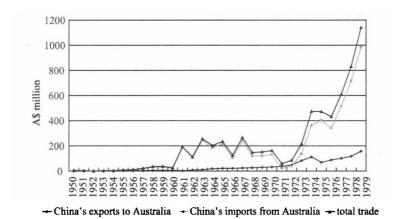


Figure 1.2 China-Australia Merchandise Trade between 1950 and 1979

stagnant trade between China and some other developed countries. In the absence of diplomatic recognition, Australian exports to China became increasingly important in its total exports.

Table 1.3 introduces us the changing place of Chinese market in Australia's exports over these years. In the fiscal year 1969 - 1970,

China ranked sixth in the list of Australia's exports partners in the world. It was in large parts attributed to Australia's pragmatic policy over China. Until 1971, Australian policy toward China was the so-called "China differential", featuring that Australia struck a compromising balance between the United states embargo against China and the UK-style non-strategic trade with China. Patently, even in the chilling times of the Cold War, Australia might rely on China's market over some commodities of its exports. Conversely, China's trade with Australia was not very important in China's total trade. Such a compromising balance for Australia in the broader circumstances of the Cold War, could offer a captivating prelude to the myth of Australia's dealing with its longstanding security dilemma ("caught between China and the United States"), which still beleaguers Australia even until now: to keep the momentum of its trade and economic links with China, whereas to keep on track its military ally with the United States.

Because China's order of Australian wheat had been a boon to Australian wheat-growers, the sales of wheat or of any other commodities to China evolved to influence Australian politics, with the wheat pressure groups pushing for Australia's recognition with China. In 1971, thanks in large parts to the political stalemate over recognizing China between the two sides, China did not place an order for wheat with Australia, playing politics in this way and causing the sudden reverse of the favorable balance of Australian trade with China. In the fiscal year 1971 – 1972, Australia ran a trade deficit of A\$4.1 million with China. Again according to Chinese statistics, in the year 1971 correspondingly, China's trade with Australia turned out to strike trade surplus for the first time in its trade history with Australia. More interest-